

FINANCIAL STABILITY REPORT

1447 | 2025



البنك المركزي السعودي
SAMA
Saudi Central Bank



Saudi Central Bank

**Financial Stability Report
2025**



Ayman M. Al-Sayari
Governor

Over the past year, uncertainty has continued to weigh on global financial markets. Heightened market volatility, persistent global tensions, and deeper financial interconnectedness have contributed to an increasingly complex global macro-financial landscape. These conditions underscore the importance of maintaining vigilance and adhering to a sound and proactive policy framework.

Domestically, the Saudi economy continued its positive growth trajectory, with real GDP expanding by 2.7 percent in 2024, driven by a 6.0 percent expansion in non-oil activities. Moreover, the domestic labor market continued to exhibit robust performance, with the unemployment rate for nationals reaching historic lows. The external sector position slightly weakened during the year, with the current account recording a modest deficit, though the Kingdom is well-positioned to manage the shortfall.

The banking system continues to demonstrate resilience, reflecting SAMA's role in maintaining financial system soundness. Prudential ratios across banks remain comfortably above regulatory thresholds, underscoring healthy capital and liquidity levels in the sector, and SAMA's continued commitment to maintaining financial stability as a pillar of sustainable economic growth.

Looking ahead, the financial sector is well-positioned to continue fulfilling its intermediary role in meeting the needs of the economy. In particular, the engagement of banks with the private sector has been bolstered by the expansion of their digital capabilities. Underpinned by sound supervision, these developments are contributing to improved efficiency, financial inclusion, and the development of a more diversified and resilient financial system.

SAMA continues to closely monitor domestic and international developments to help preserve the robustness and stability of the financial sector, in line with the Kingdom's broader economic objectives.

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Abbreviations

AEs	Advanced Economies
BCBS	Basel Committee on Banking Supervision
BoE	Bank of England
BoP	Balance of Payments
CAPEX	Capital Expenditures
CAR	Capital Adequacy Ratio
CCE	Circular Carbon Economy
CCyB	Countercyclical Capital Buffer
CET1	Common Equity Tier 1
CMA	Capital Market Authority
CMIs	Capital Market intuitions
CPI	Consumer Price Index
CTS	Container Trades Statistics
EMs	Emerging Markets
EMDEs	Emerging Market and Developing Economies
ETFs	Exchange-Traded Funds
FDI	Foreign Direct Investment
Fed	US Federal Reserve Bank
FSAP	Financial Sector Assessment Program
FSC	Financial Stability Committee
FSR	Financial Stability Report
GASTAT	General Authority for Statistics
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GSCPI	New York Fed Global Supply Chain Pressure Index
GVCs	Global Value Chains
GWP	Gross Written Premium
HQLA	High-Quality Liquid Assets
IA	Insurance Authority
IIF	Institute of International Finance
IMF	International Monetary Fund
KAPSARC	King Abdullah Petroleum Studies and Research Center
LCR	Liquidity Coverage Ratio
LNG	Liquefied Natural Gas
M3	Broad Money Supply Aggregate
MOF	Ministry of Finance
MSMEs	Micro, Small, and Medium Enterprises
NDA	Net Domestic Assets
NFA	Net Foreign Assets

NII	Net Interest Income
NPL	Non-Performing Loan
NSFR	Net Stable Funding Ratio
OPEC	Organization of the Petroleum Exporting Countries
OPEC+	OPEC Member and Major Non-OPEC Producers
OPEX	Operational Expenditures
PIF	Public Investment Fund
PMI	Purchasing Managers Index
Repo	Repurchase Agreement
Reverse Repo	Reverse Repurchase Agreement
RHQ	Regional Headquarters Program
ROA	Return on Assets
ROE	Return on Equity
RWA	Risk-Weighted Assets
SAIBOR	Saudi Arabian Interbank Offered Rate
SAMA	Saudi Central Bank
SGI	Saudi Green Initiative
SRC	Saudi Real Estate Refinance Company
Term SOFR	Term Secured Overnight Financing Rate
WB	World Bank
WEO	World Economic Outlook

Executive Summary

Inflation rates declined, and domestic conditions improved in some regions; however, medium-term risks remain elevated. Global inflation declined from its peak levels as supply chain pressures eased, although risks to financial stability and debt sustainability remained elevated. This is particularly evident in the growing debt burden across several countries facing persistent fiscal deficits and higher debt service costs.

Within this global context, Saudi Arabia's economy grew in 2024, largely supported by the expansion of the non-oil sector. This growth occurred despite a decline in oil activities, highlighting the Kingdom's progress toward economic diversification. Business sentiment remained positive, supported by improving conditions in the private sector throughout the year. Saudi Arabia made significant progress in tackling unemployment, as Saudi's unemployment rate reached a historic low in 2024, underscoring the effectiveness of labor market reforms. Inflation remained contained, despite upward pressure from housing rental costs.

The fiscal position in 2024 reflects a combination of rising government spending to support national initiatives and ongoing efforts to maintain fiscal sustainability amid lower oil production. Meanwhile, the current account moved into deficit due to reduced oil exports. Broad money supply (M3) increased in 2024, driven by robust growth in credit to the private sector, which reflects the positive momentum of non-oil sector.

Non-financial corporations' performance improved in 2024, as reflected by the improvement in non-oil economic growth. Overall financial health remained solid and well above historical norms. Profitability was supported by operational efficiencies, while leverage ratios declined, indicating enhanced financial discipline. Liquidity conditions remain broadly stable, with most sectors maintaining adequate buffers to meet short-term obligations. Although asset utilization varied across industries, it generally remained steady, highlighting continued operational resilience in a favorable macroeconomic environment.

The banking sector remained robust in 2024, with asset growth driven primarily by the expansion in claims on the private sector, followed by claims on the public sector and holdings of foreign assets. Credit activity accelerated during the year, in line with resilient non-oil economic performance. Both corporate and retail lending expanded, with real estate activities playing a key role in corporate credit growth. Retail credit also witnessed growth, reflecting favorable domestic macroeconomic conditions, particularly a robust labor market.

Credit expansion was largely funded through deposits, although a gradual shift in the liability structure indicated growing reliance on alternative funding sources. Deposit composition remained stable, with a continued shift toward time and savings deposits, which offer more stable, longer-term funding.

Asset quality indicators improved in 2024, with a continued decline in the non-performing loan ratio and higher provision coverage, suggesting improved asset quality with banks maintaining adequate buffers to absorb potential risks. Prudential funding ratios remained sound and above SAMA's regulatory requirements, reflecting the underlying robustness of banks' balance sheets. Profitability remained robust, underpinned by continued credit growth. The sector's capital adequacy remained sound, supported by retained earnings and capital-qualifying issuances.

The finance companies sector sustained its expansion in 2024, marked by steady credit growth and more robust capital buffers. Retail lending remained the primary driver of credit growth supported by rising demand for personal and auto finance, while non-retail financing advanced with momentum concentrated in the building and construction sector and services sector. Real estate lending also expanded largely due to a notable recovery in corporate real estate credit. Asset quality remained relatively stable, while the sector's profitability improved significantly compared to the previous year.

The Saudi insurance sector continued to grow steadily in 2024, driven by rising demand, regulatory enhancements, such as IFRS 17 implementation and mandatory health coverage expansion, and increased awareness of risk protection. While activity remained largely concentrated around mandatory products, interest in long-term and savings-oriented coverage gradually expanded. The market remained concentrated, which supported efficiency but also underscored the importance of monitoring key institutional dependencies, particularly in health insurance. Overall sector profitability improved and solvency remained robust.

Saudi Arabia's capital markets expanded, driven by institutional participation and investment funds. Capital Market Institutions grew rapidly, and profitability remains robust with a shift toward investment-driven earnings over traditional revenue sources. The investment fund sector evolved, with the growth of private funds outpacing public funds and becoming increasingly dominant. These developments highlighted structural changes in the market and shifting investor preferences.



Global Economy

Global Economy

Inflation rates declined, and domestic conditions improved in some regions. However, macroeconomic developments were increasingly divergent, with medium-term risks remaining elevated amid geopolitical tensions and uncertainty in global trade dynamics.

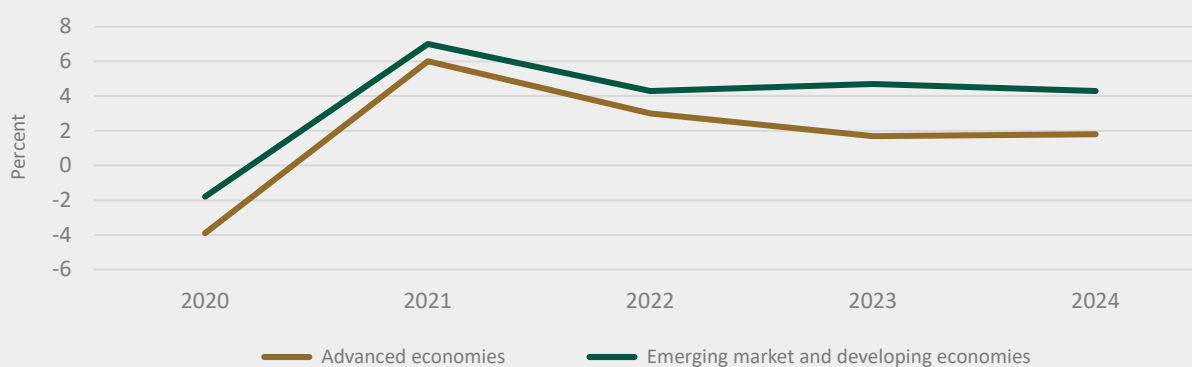
According to the International Monetary Fund (IMF), global growth reached an estimated 3.3 percent in 2024, reflecting robust activity in several major economies. However, there were notable differences in macroeconomic developments both across and within emerging market and developing economies (EMDEs) and advanced economies (AEs) (Chart 1.1) due to differences in domestic demand, external conditions, and structural factors.

As estimated by the IMF, EMDEs grew by 4.3 percent in 2024 owing to resilient consumption, improved external conditions, and the beginning of monetary easing cycles for some EMDEs. AEs, on the other hand, recorded a modest expansion of 1.8 percent, with notable divergence amongst countries. Select AEs benefited from resilient consumer spending due to robust labor markets, while others faced tighter financial conditions, softer external demand, and in some cases, persistent structural conditions.

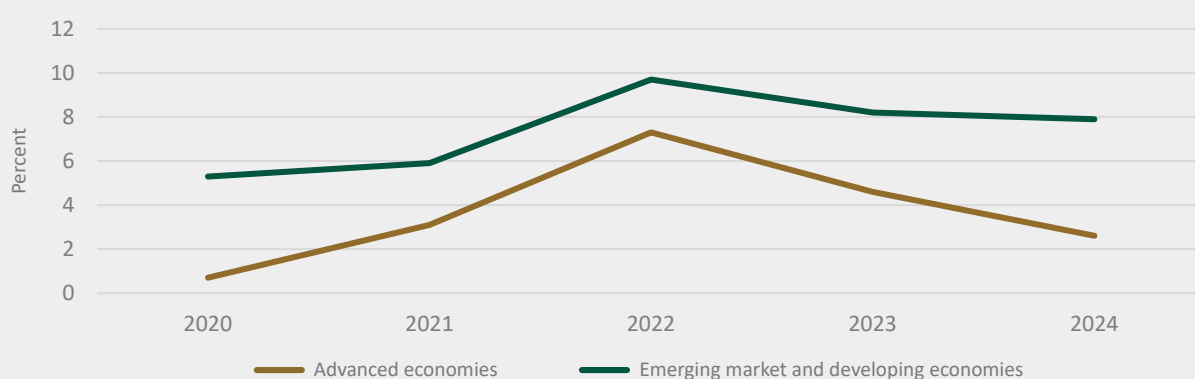
Inflation pressures eased across AEs and EMDEs (Chart 1.2) from post-pandemic highs. Inflation in AEs declined to 2.6 percent, as the effects of earlier monetary tightening began to bear fruit, supported by smoother supply chains and reduced commodity prices. While EMDEs noted more heterogeneous inflation patterns, inflation for the group eased to 7.9 percent, supported by easing commodity prices.

Despite the relative macroeconomic stability in 2024, the IMF projects global growth to slow to 3.2 percent in 2025 on the back of potentially weaker investment, trade fragmentation, and geopolitical tensions. The materialization of such risks may result in tighter financial conditions, weighing on economies with highly leveraged public and private sectors, and those reliant on trade.

Chart 1.1: Annual GDP Growth Rates in Real Terms



Source: IMF, October 2025 World Economic Outlook (WEO).

Chart 1.2: Annual Change in the Consumer Price Index

Source: IMF, October 2025 World Economic Outlook (WEO).

Global supply chain conditions and broader commodity markets continued to normalize in 2024, contributing to the easing of inflationary pressures.

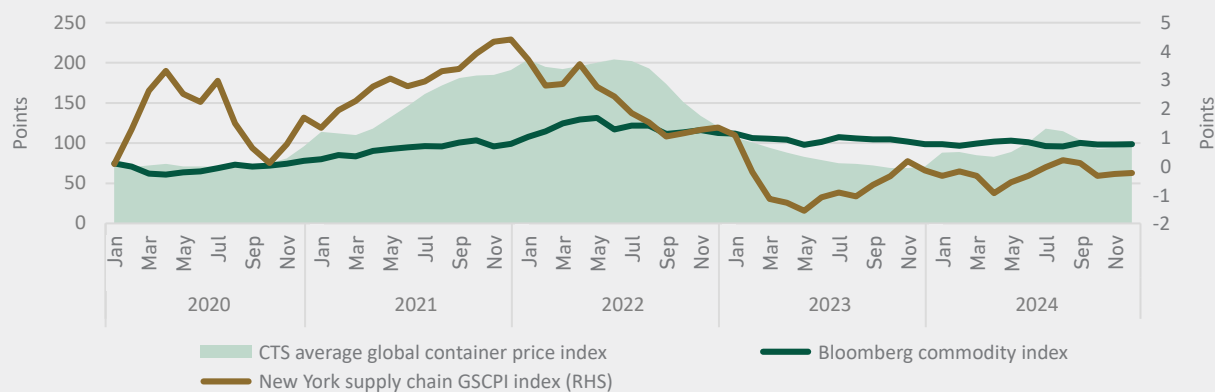
Improvement in global supply chain conditions was a key supporting factor for macroeconomic resilience in 2024. Indicators such as the New York Fed Global Supply Chain Pressure Index (GSCPI) and the average Global Container Price Index released by the Container Trades Statistics (CTS) indicated relative stability throughout the year. While the CTS index recorded some increase in shipping costs by mid of 2024, levels remained well below those witnessed during the pandemic. The World Bank (WB)¹ attributed these increases to higher shipping volumes and localized shipping disruptions, but noted that they did not appear to impact the availability of goods. Nonetheless, greater trade fragmentation going forward can weigh on gains made in improving supply conditions.

Easing commodity prices in 2024 played a role in the continued moderation of global inflation. The Bloomberg commodity index², which declined by an average of 5.2 percent in 2024 compared to 2023, marked an extension of the downward trend that began in 2023 (Chart 1.3). A sustained easing of commodity prices was recorded across most major commodity categories. The WB noted that improvement in food commodities was attributed to better grain harvests, though metal prices recorded mixed performance, with aluminum and copper prices rising, while iron ore prices declined due to reduced construction demand in some major EMDEs.

¹ The WB's Global Economic Prospects Report for 2025.

² Composed of agricultural commodities, metals, and energy.

Chart 1.3: Global Supply and Commodity Developments



Source: Bloomberg, December 2024.

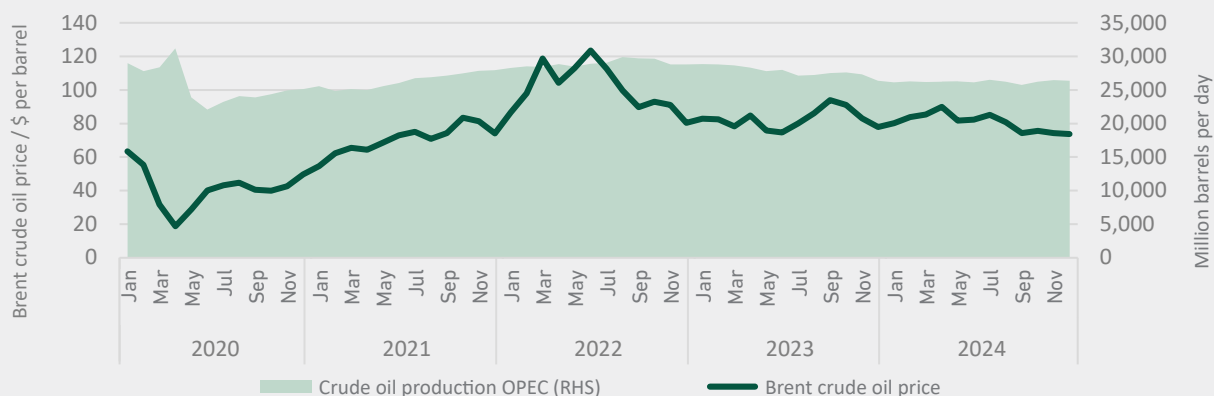
Energy markets in 2024 were shaped by stable oil market conditions and declining natural gas prices, with bouts of short-lived volatility driven by shifts in supply and demand conditions and episodes of rising geopolitical tensions.

Oil markets remained relatively stable in 2024, with Brent crude oil prices fluctuating within a range of USD 73.8-USD 89.9 per barrel (Chart 1.4). According to the WB, OPEC+ led supply management resulted in a more balanced oil market for the year, with supply only slightly exceeding demand. Despite prices moving on average within a narrow range, they were influenced by changing expectations around global demand near the end of the year. Moreover, the WB noted different oil consumption trends across EMDEs, while AEs' oil consumption remained broadly flat³. Such offsetting factors contributed to moderate short-term volatility, however, oil market conditions in general remained stable throughout the year.

Natural gas markets exhibited a decline in prices, with the WB's natural price index recording a 15.1 percent year-over-year decrease in 2024 (Chart 1.5). However, prices partially recovered by the end of the year, driven by a drawdown on inventories. According to the WB, this was a reflection of ample production and higher inventory levels. Liquefied natural gas (LNG) exports continued to grow, with an increasingly larger share being directed to EMDEs. As prices declined, global gas demand rebounded by 2.7 percent, due to improved consumption across many EMDEs.

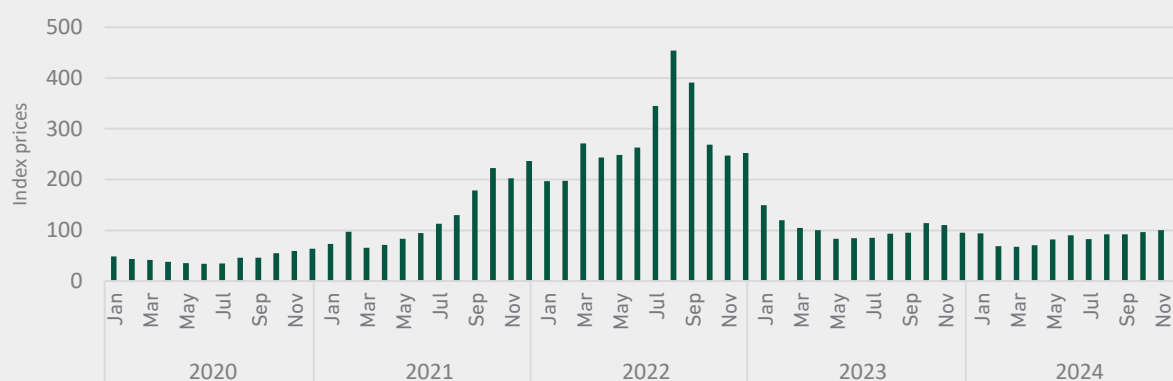
³ WB Commodity Markets Outlook, April 2025.

Chart 1.4: Oil Market



Source: OPEC.

Chart 1.5: Natural Gas Price Index

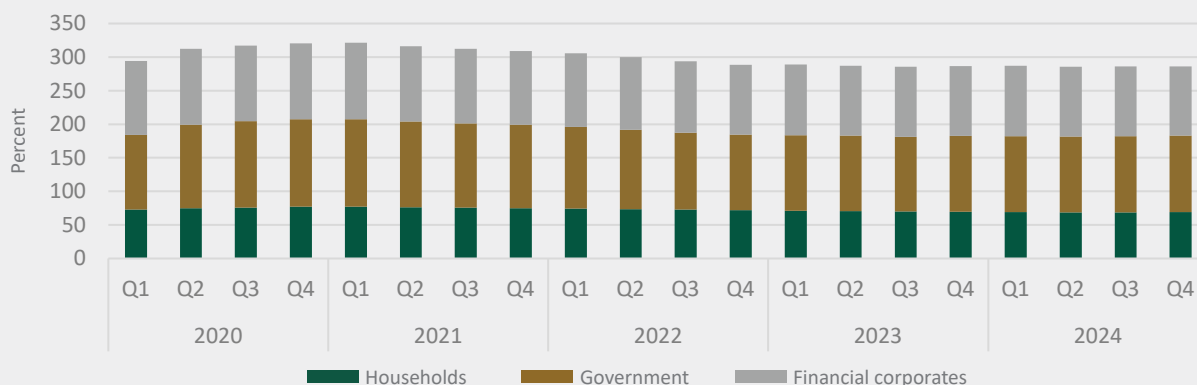


Source: WB.

Global debt dynamics in 2024 reflected persistent elevated debt levels across EMDEs and AEs.

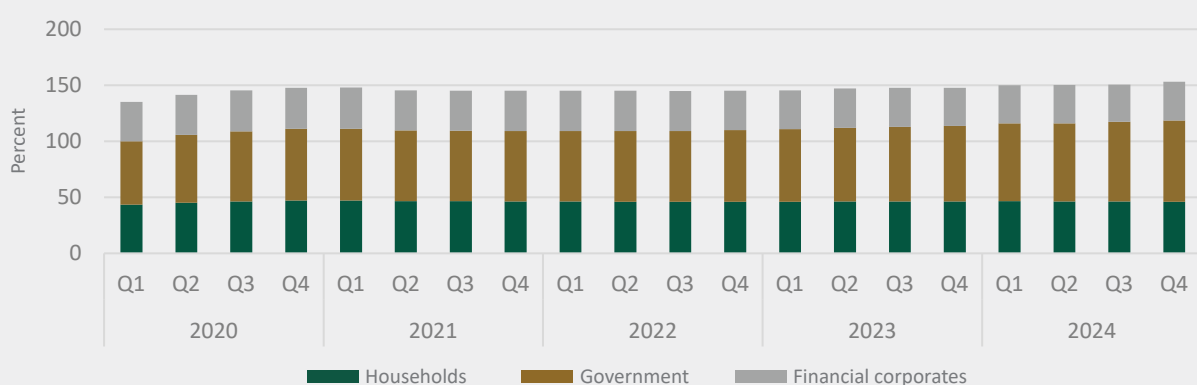
According to the International Institute of Finance (IIF), by the end of 2024, global debt hit a record USD 318 trillion and the debt-to-GDP ratio rose to nearly 328.0 percent, marking its first annual increase, albeit marginal, since the pandemic in 2020. In advanced economies, government debt increased slightly due to persistent fiscal deficits and higher debt servicing costs, particularly given low-yield debt was refinanced at higher rates. Household debt remained broadly flat, which can be attributed to divergent trends in financial conditions amongst countries, as countries with tighter financial conditions exhibited a slower accumulation of household debt (Chart 1.6). EMDEs also noted an increase in debt levels, making up approximately 33 percent of total debt by 2024, marking a slight increase compared to 2023. The increase in EMDE debt was largely attributed to government debt, which increased from 67.5 percent to 72.5 percent of GDP in 2024, while household debt remained broadly stable (Chart 1.7).

Chart 1.6: Debt to GDP by Sector - AEs



Source: IIF.

Chart 1.7: Debt to GDP by Sector - EMDEs

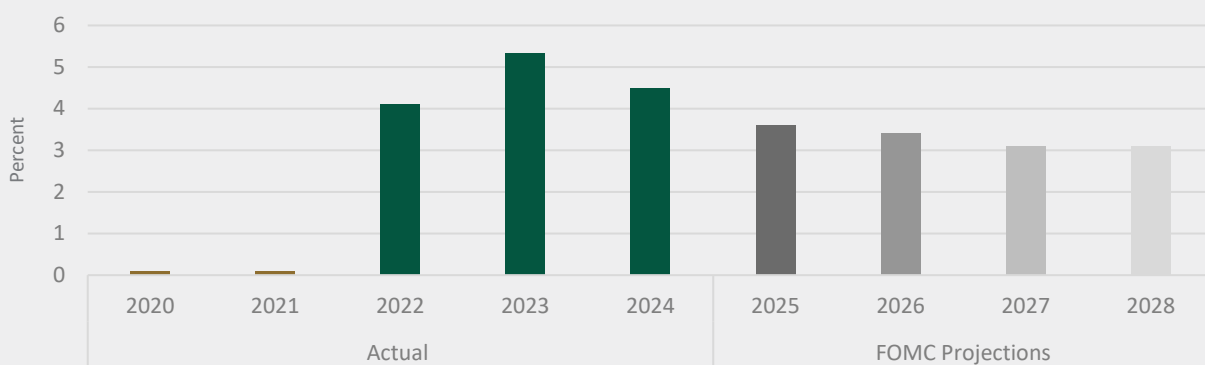


Source: IIF.

Monetary easing in 2024 resulted in more accommodative financial conditions globally, however, bond markets in several AEs reflected renewed tightening pressures towards the end of the year.

In 2024, the US Federal Reserve Bank (Fed) decided to cut rates three times totaling 100 basis points, lowering the federal funds target range to 4.25 percent - 4.50 percent (Chart 1.8). This resulted in more accommodative global monetary conditions for the year. This policy shift marked a cautious recalibration in response to moderating inflation and signs of a softening labor market. The Fed reaffirmed its data-dependent approach to future policy adjustments, underscoring that additional easing would hinge on macroeconomic indicators.

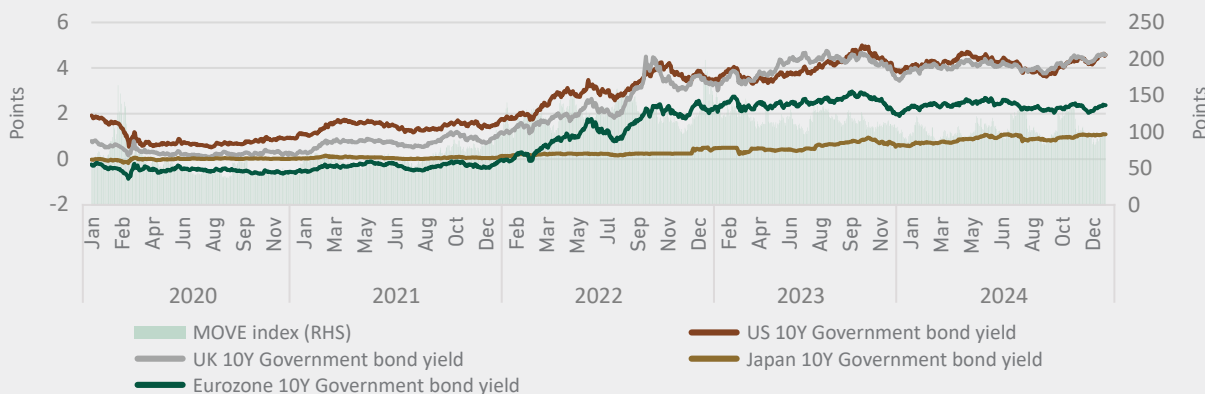
Chart 1.8: Federal Funds Effective Rate



Source: Federal Reserve Economic Data, September 2025.

Global sovereign yields recorded varying trends, with yields rising sharply across select AEs by the end of the year (Chart 1.9). The US 10-year Treasury yields increased to one of the highest levels since 2007. The increase was driven by a combination of factors including geopolitical tensions, greater uncertainty around further easing, and widening fiscal deficits. Similarly, the UK 10-year gilt yields surged to levels not seen since the global financial crisis, reflecting continued inflationary pressures. In contrast, yields in Japan and much of the Eurozone remained comparatively stable, supported by subdued inflation and slower policy normalization.

Chart 1.9: Selected Government Bond Yields



Source: Bloomberg, December 2024.

Box 1.1: Energy Transitions and the Climate Change Nexus

The global energy landscape has undergone significant changes in recent years, driven by economic and geopolitical disruptions. The Covid-19 pandemic and its economic repercussions, coupled with a notable post-pandemic recovery, have exposed vulnerabilities in the energy sector, particularly in investment gaps and demand-supply stability. These challenges were further amplified by the global energy turmoil of early 2022, which led to high energy prices and renewed attention to energy security and affordability, in addition to climate actions. As a result, many governments and businesses worldwide have been compelled to revisit their energy and climate strategies in both the short and long terms. Identifying these challenges alongside recent developments underscores the need for tailored, pragmatic and comprehensive approaches that help mitigate uncertainty, which could otherwise pose a risk to financial stability.

Unlike other financial stability risks, climate-related financial risks have unique characteristics, as they are broad in scope, highly uncertain, and evolve over extended time horizons. The growing frequency and intensity of climate-related events, combined with divestment from one of the dominant sources of the global energy mix, introduce risks that complicate efforts to balance three key dimensions: energy security, energy equity, and environmental sustainability. Climate-related financial risks manifest in two primary forms: (i) as physical risks arising from the direct impact of climate-related disasters on energy infrastructure and operations, and (ii) as transition risks linked to policy changes, market shifts, and technological advancements that create uncertainty in the energy sector.

While climate transition policies emphasize emissions reduction and sustainability, they also introduce uncertainties around energy affordability and supply reliability. In response, several countries and international organizations have reassessed their strategies, recognizing the need for continued upstream oil and gas investments to counter the natural decline in existing fields. Such investments are crucial for mitigating future market shocks and maintaining a stable supply, particularly in the context of ambitious long-term goals that may lead to unintended consequences, including market volatility and potential shortages. Reconciling these long-term climate objectives with energy security concerns remain one of the most pressing challenges in the sector, as failure to do so could adversely impact macroeconomic stability and efficiency⁴.

Amid these challenges, the urgent need for effective mitigation and adaptation has made technological solutions vital to advancing sustainability and ensuring energy security. As a result, the large-scale implementation of a circular carbon economy (CCE) framework stands out as a viable and comprehensive solution. By utilizing a diverse energy mix adapted to each country's unique circumstances, emissions can be reduced while supporting economic growth, energy stability, and long-term prosperity.

⁴ OPEC 2024 World Oil Outlook 2050.

The Kingdom of Saudi Arabia introduced the CCE framework that was endorsed by G20 leaders at the 2020 Riyadh Summit. The framework emphasizes the importance of comprehensive solutions that engage all sectors of society while balancing economic growth with national and global energy security, aligning with its broader role in addressing climate and sustainability challenges, and supporting the national goal of achieving net-zero emissions by 2060. Sustainability is a central component of Saudi Vision 2030, and the Saudi Green Initiative (SGI) integrates environmental protection, energy transition, and sustainability programs to accelerate climate action. A core target of SGI is emissions reduction, with the implementation of the CCE framework as a key strategy.

Complementing these efforts, the Kingdom continues to enhance its financial ecosystem through the Financial Sector Development Program, one of Saudi Vision 2030 realization programs, by aligning capital market initiatives with sustainability objectives. Following the release of the Green Financing Framework in March 2024, the government successfully completed its inaugural international green bond issuance in February 2025. The issuance was structured in two euro-denominated tranches, including a dedicated green bond. Demand was notable with the order book reaching around EUR 10 billion, roughly four times the total issuance size of EUR 2.25 billion (SAR 8.9 billion). The green tranche, worth EUR 1.5 billion (SAR 5.9 billion)⁵. The robust over-subscription highlights both the Kingdom's solid credit profile and the growing investor confidence in its commitment to sustainability and its net-zero agenda.

Meanwhile, SAMA continues to assess climate-related financial risks and contribute to national and international collaborative efforts in line with the Kingdom's climate agenda and national circumstances while upholding its core mandate of maintaining monetary and financial stability.

⁵ The Completion of an International Euro-denominated bond issuance, including the Inaugural Green Tranche under the Kingdom's Global Medium-Term Note Issuance Programme.

Box 1.2: Developments in Crypto Assets Related Exchange Traded Funds

In January 2024, 11 new bitcoin spot exchange-traded funds (ETFs) were approved in the US. The Bitcoin ETF is designed to track Bitcoin's price, minus the fees and costs of trading. This opened the gates to retail and institutional investors with traditional brokerage accounts to access Bitcoin through traditional securities exchanges, such as the New York Stock Exchange and Nasdaq instead of virtual assets service providers.

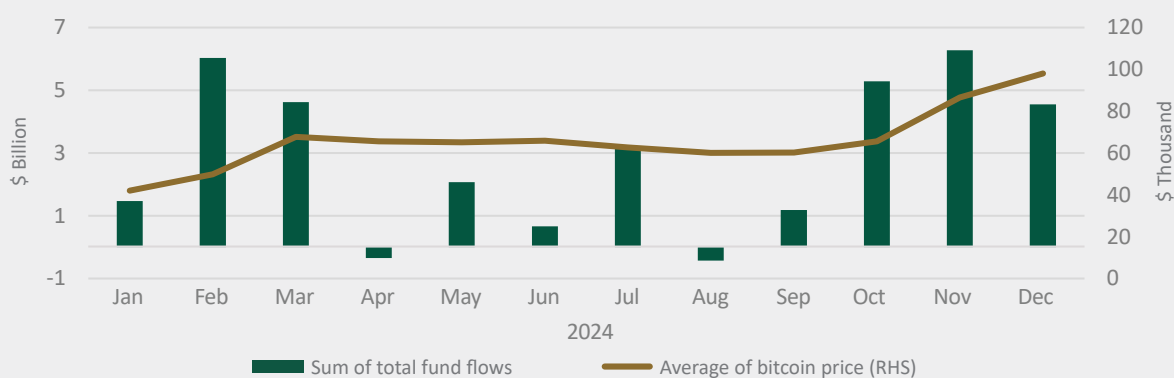
The lack of custodian options in Bitcoin spot ETFs could lead to a concentration risk. Most of the new ETFs have hired the same crypto-assets exchange platform to be their custodian, which means it will be responsible for the security of all the private keys to Bitcoin held by these ETFs. Another risk is third-party risk, also known as custodian or counterparty risk, arising from the possibility that the custodian may fail to fulfill its responsibilities due to cybersecurity breaches, operational failures, financial distress, fraud, regulatory issues, or potentially even insolvency, any of which could lead to direct financial losses or restricted access to investor assets. One of the primary challenges in developing Bitcoin ETF options is the fragmented nature of crypto-assets regulation. This regulatory patchwork often creates uncertainty for issuers and market participants.

The interlinkages and exposures between crypto-assets and traditional financial assets could also pose significant risks to the financial system. As crypto-assets increasingly become integrated into the traditional financial system, through instruments such as ETFs and derivatives, spillover effects between the crypto market and traditional financial markets may intensify. Market shocks originating in crypto-assets could potentially propagate to traditional markets via investor sentiment channels, institutional exposures, or operational failures. Consequently, heightened volatility in crypto-assets may amplify systemic vulnerabilities, underscoring the importance of vigilant monitoring and risk management practices to safeguard the stability of the financial system.

One of the key drivers behind the notable inflows into spot Bitcoin ETFs at the beginning of 2024 was their initial debut, which created significant investor interest and portfolio reallocation. The introduction of regulated, exchange-traded vehicles offered a familiar structure for gaining Bitcoin exposure, attracting both institutional and retail investors. The novelty of the products, combined with pent-up demand, ease of access, and the credibility of major issuers, contributed to the sharp surge in inflows during the first quarter. Moreover, existing Bitcoin funds faced new pressure and exhibited outflows, as they competed with a broader universe of products that featured more competitive pricing.

When Bitcoin prices declined from an average of USD 68 thousand in March 2024 to roughly USD 60 thousand by August 2024, fund flows notably moderated. The surge in Bitcoin ETF inflows by the end of the year was primarily driven by renewed market optimism, price momentum in Bitcoin, and increased institutional allocation toward alternative assets. As Bitcoin prices increased, reaching an all-time high, investors accelerated their entry through ETFs. Additionally, the established track record of the ETFs prompted wealth managers and institutions to increase exposure as part of year-end rebalancing (Chart A).

Chart A: Bitcoin ETF



Source: Bloomberg.



2

**Domestic
Economy**

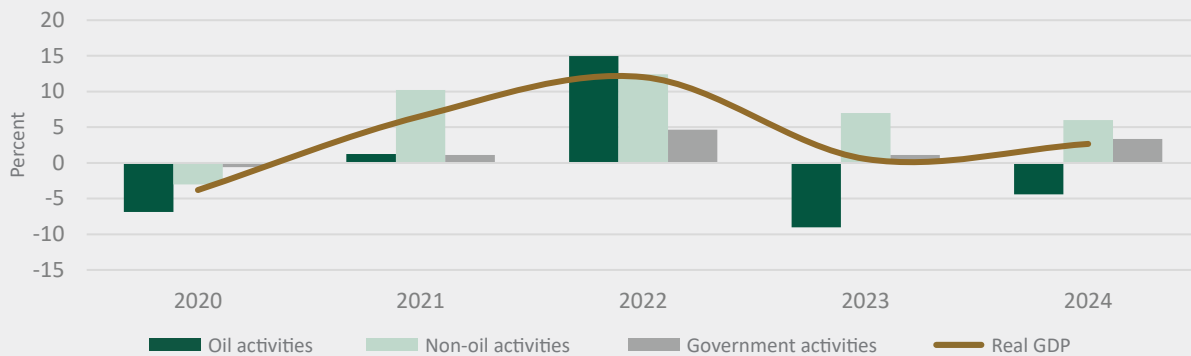
Domestic Economy

2.1 Macroeconomic Environment

The Saudi Economy recorded growth of 2.7 percent in 2024, driven primary by non-oil activities, with trade and hospitality sectors leading the expansion.

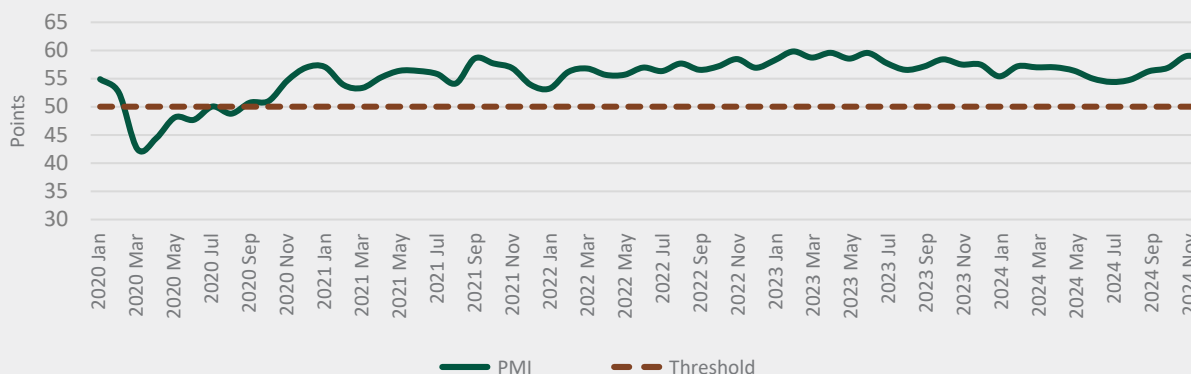
Despite a 4.4 percent contraction in oil activities, Saudi Arabia’s real GDP expanded by 2.7 percent in 2024, supported by growth of 6.0 percent in non-oil activities (Chart 2.1.1). Growth was driven primarily by the robust performance in trade and hospitality sector reflecting continued investment momentum in tourism-related activities. The broad-based expansion in non-oil activities is a continuation of a multi-year trend, and fueled by favorable business sentiment, as measured by the purchasing managers’ index (PMI), which remained in expansionary territory throughout the year (Chart 2.1.2). While the PMI moderated during the first half of 2024, it gained steadily during the second half of the year, signaling improving operating conditions in the non-oil private sector.

Chart 2.1.1: Real GDP by Main Economic Activities
(Chain-linked, 2023=100, Annual Growth)



Source: GASTAT.

Chart 2.1.2: PMI
(> 50 = Improvement Since Previous Month)



Source: Riyadh Bank.

Saudi Arabia continued to make strides in addressing unemployment, particularly among youth, as part of Saudi Vision 2030 goals.

The expansion in Saudi Arabia's non-oil sector has supported the country's labor market, as expanding industries such as tourism, entertainment, technology have created new jobs. This diversification in jobs created, driven by Saudi Vision 2030 initiatives, enhanced the role of the non-oil sector and improved the Saudi labor force participation rate, which increased to 51.2 percent in 2024, from 50.8 percent in 2023. In 2024, Saudi unemployment rate showed notable improvement reaching a historic low of 7.4 percent. The Saudi female participation rate in the workforce has increased to 35.9 percent in 2024 compared to 35.2 percent in 2023. This is well above the previous target of 30 percent for Saudi female labor participation under Saudi Vision 2030, and is approaching the new target of 40 percent. The improvement in the labor market has a positive spillover effect on financial stability, as it improves households financial health and therefore their ability to fulfill their financial obligations.

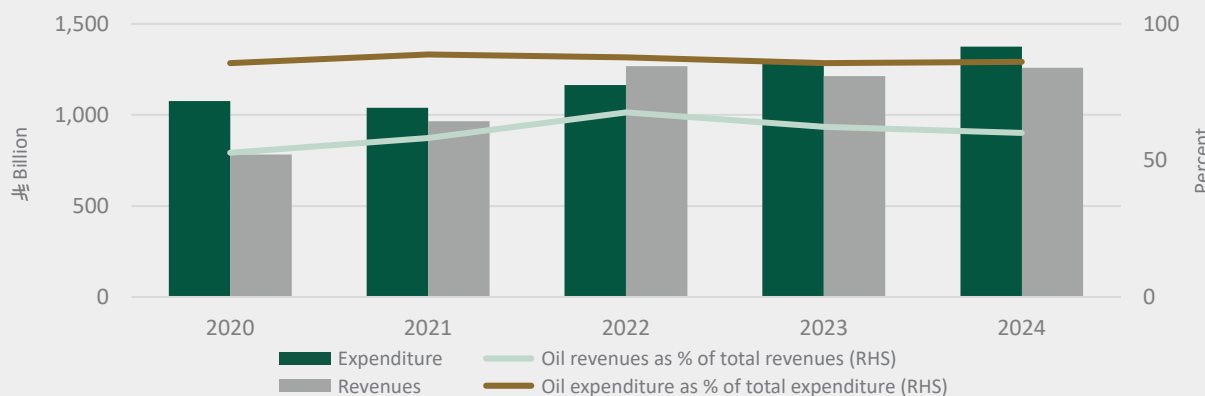
Saudi Arabia's fiscal deficit in 2024 reflects a blend of increased spending and efforts to maintain fiscal sustainability amid lower oil production and prices.

In 2024, Saudi Arabia's budget registered a deficit of SAR 115.6 billion, which represents 2.5 percent of GDP, compared to 1.8 percent in 2023. Total revenues reached SAR 1,259.1 billion, increasing by 3.9 percent compared to the 2023. Despite lower oil production, oil revenues increased slightly by 0.3 percent, owing to the performance-linked dividends from Aramco. Additionally, non-oil revenue registered a significant increase of 9.8 percent compared to 2023, reflecting both efficiency gains in tax administration and a pickup in consumption, hence higher imports.

Despite the significant improvement in the performance of non-oil revenue, higher spending pushed the overall budget deficit higher. Government expenditure totaled SAR 1,374.7 billion, increasing by 6.3 percent compared to 2023. Capital expenditures (CAPEX) totaled SAR 190.7 billion, increasing by 2.2 percent compared to the previous year, due to the continued implementation of transformational initiatives and strategic projects. Operational expenditures (OPEX) increased by 7.0 percent to reach SAR 1,184.1 billion in 2024, primarily driven by compensation of employees and other expenses (Chart 2.1.3).

Public debt reached SAR 1,215.9 billion in 2024 constituting 25.9 percent of GDP compared to 23.0 percent in 2023. The moderate increase in debt is a reflection of the effort to utilize the country's fiscal space to support sustainable economic growth, while ensuring debt is at manageable levels.

Chart 2.1.3: Revenues and Expenditures



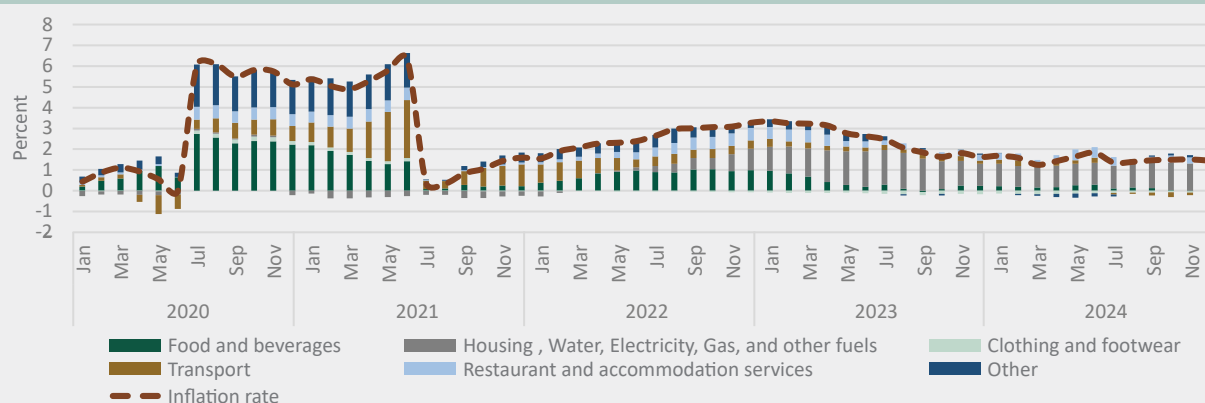
Source: MOF.

Headline inflation remained contained in Saudi Arabia, despite inflationary pressures arising from housing rentals.

In September 2025, the base year of the consumer price index (CPI) was updated from 2018 to 2023, to better reflect current consumption and price patterns. The inflation rate declined by 1.0 percentage points in 2024, averaging 1.5 percent. This moderation was supported by external factors, primarily the easing of global food prices.

Inflation for the year was primarily driven by the housing and utilities category, which added close to 1.1 percentage points to overall inflation (Chart 2.1.4). This category’s increase was largely attributed to rising rental prices, which climbed 8.6 percent in 2024, driven by greater demand for housing units on the back of greater momentum in non-oil activities. However, this upward pressure was partially offset by declining prices in clothing and footwear, information and communication, and furnishings and household equipment, which fell by 3.3 percent, 1.7 percent and 1.2 percent, respectively.

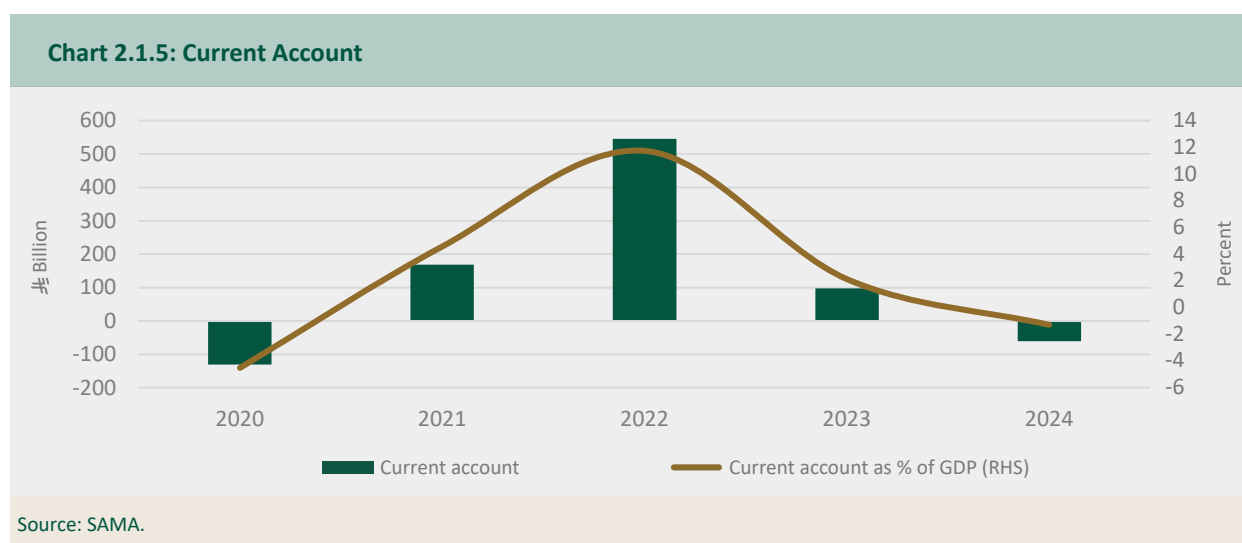
Chart 2.1.4: Components Contribution to Inflation Rate (Year-over-Year Change)



Source: GASTAT.

The current account shifted into a deficit in 2024, though the shortfall was minor.

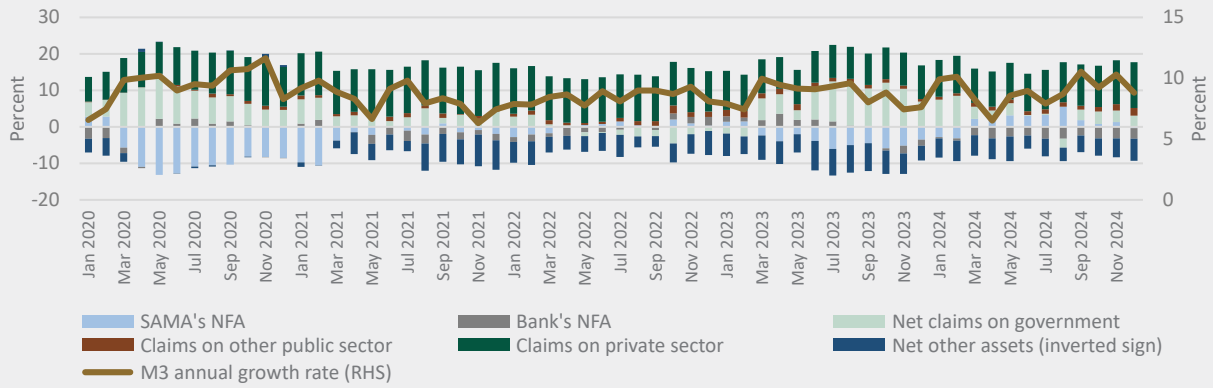
The current account shifted into a deficit of SAR 60.9 billion, 1.3 percent of GDP, due to lower oil exports and higher imports (Chart 2.1.5). Imports of fixed assets and intermediate consumption accounted for 20.5 percent and 45.6 percent of total imports, growing by 18.1 percent and 12.4 percent in 2024, respectively, a trend largely driven by the acceleration of giga projects and infrastructure development. The current account deficit was offset by financial account inflows, particularly through external debt issuances, and reduced investments abroad, which financed the current account deficit. Additionally, SAMA's external buffers remain sufficient, with foreign reserves slightly increasing by 0.1 percent in 2024.



Money supply growth in 2024 reflected domestic credit expansion, as a result of the positive momentum in non-oil economic growth.

Broad money supply (M3) increased by 8.8 percent in 2024, driven by increased domestic credit to the private sector. Net domestic assets (NDA) played a central role in driving this growth, contributing 12.0 percentage points. The growth in NDA was largely driven by claims on the private sector contributing 12.5 percentage points, net claims on government contributing 3.0 percentage points, and claims on other public sector enterprises contributing 2.1 percentage points (Chart 2.1.6). On the other hand, net foreign assets (NFA) declined by 5.4 percent in 2024 with negative contribution of 3.2 percentage points.

Chart 2.1.6: Contribution of M3 counterparts to M3 annual growth

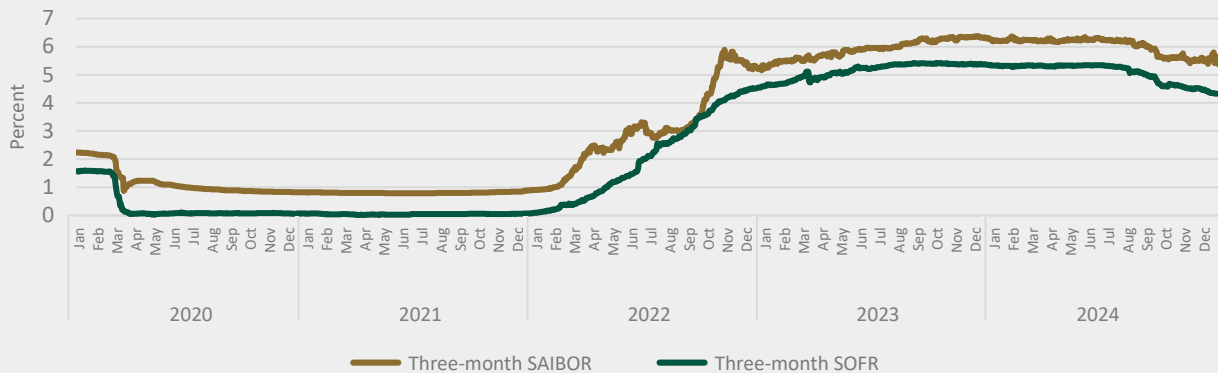


Source: SAMA.

Financial conditions remained stable in Saudi Arabia, with market volatility broadly muted.

To preserve monetary stability, SAMA lowered the policy rates three times in 2024 to reach 5.0 percent for the Repurchase Agreement (Repo) rate, and 4.5 percent for the Reverse Repurchase Agreement (Reverse Repo) rate. Since the start of the monetary easing cycle during 2024, the three-month Saudi Arabia interbank offered rate (SAIBOR) decreased from 5.8 percent in September 18, 2024 to 5.5 percent as of December 31, 2024 (Chart 2.1.7). The three-month SAIBOR averaged around 6.0 percent in 2024, implying a differential rate of 96.45 basis points to the three-month Term SOFR. Excess liquidity⁶ averaged around SAR 44.9 billion in 2024.

Chart 2.1.7: SAIBOR and Term SOFR



Source: SAMA, Bloomberg.

⁶ Excess liquidity = net reverse repo operations + outstanding SAMA bills.

The outlook for Saudi Arabia's economy remains optimistic supported by the growth of the non-oil sector and continued progress towards economic diversification.

Saudi Arabia's economic outlook remains positive, underpinned by a gradual rebound in oil production, sustained government investments under Saudi Vision 2030 and robust performance in non-oil sectors. The government's focus on expanding industries such as technology, tourism, and recreation are expected to drive sustained growth and create more jobs. Furthermore, sectors such as manufacturing, mining, and logistics are also expected to drive non-oil growth in the coming years, as the substantial investments made in previous years start to yield results, unlocking greater potential for economic diversification. The IMF⁷ projects Saudi Arabia's GDP to grow by 4.0 percent in 2025 and 2026.

⁷ WEO, October 2025.

2.2 Non-Financial Corporations

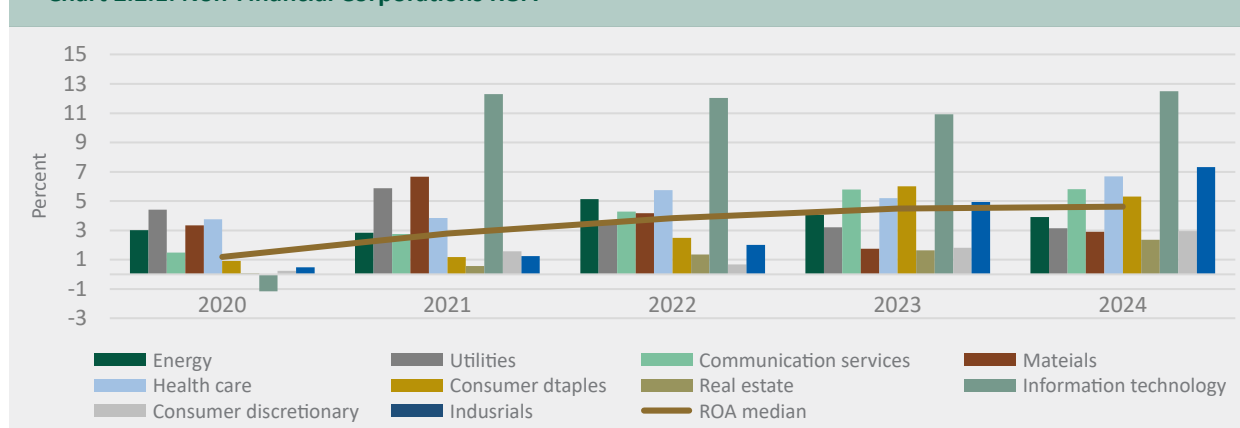
Healthier corporate performance across most sectors reflects improved non-oil activity.

The share of loss-making companies⁸ on the main stock exchange, decreased from 28.4 percent in 2023 to 23.1 percent in 2024, marking a notable decline. The continued drop likely reflects broad-based gains in corporate profitability, though some sectors may still face pressure. The overall level of loss-making companies remains well below historical averages. This trend likely reflects the broad improvement in non-oil GDP, which supported corporate revenues across sectors. Resilient sectors such as utilities and health care maintain low loss-making rates. In contrast, industrial and energy sectors recorded the highest share of loss-making companies at 30.8 percent and 28.6 percent, respectively, partially due to weaker global demand.

Profitability continued to improve across most industries, driven by operational efficiency gains.

Corporate profitability improved moderately in 2024, supported by stable inflation, and continued public investment, all of which bolstered demand and revenues across sectors. These efficiency gains occurred amid broadly unchanged revenue-generating capacity and capital structures, indicating that firms enhanced margins without significant changes to top-line performance or leverage. The median return on assets (ROA) increased to 4.6 percent in 2024 from 4.5 percent in 2023, indicating a continuation of the positive trend in profitability and supporting the observed efficiency gains. Information technology achieved the highest ROA at 12.5 percent, reflecting robust digital demand and scalable operational models, while real estate recorded the lowest ROA at 2.3 percent. The divergence in profitability across sectors highlights differences in business models, capital intensity, and market dynamics (Chart 2.2.1). For instance, sectors with asset-light and scalable operations tend to generate higher returns, whereas capital-intensive sectors often exhibit structurally lower profitability due to high fixed costs and lower returns on investment. The broad-based profitability gains are likely linked to improved business volumes and cost efficiencies, underpinned by the broader recovery in non-oil economic activity. Overall, the profitability profile of publicly listed non-financial corporations remains stable, supporting continued investment capacity and balance sheet robustness over the medium term.

Chart 2.2.1: Non-Financial Corporations ROA

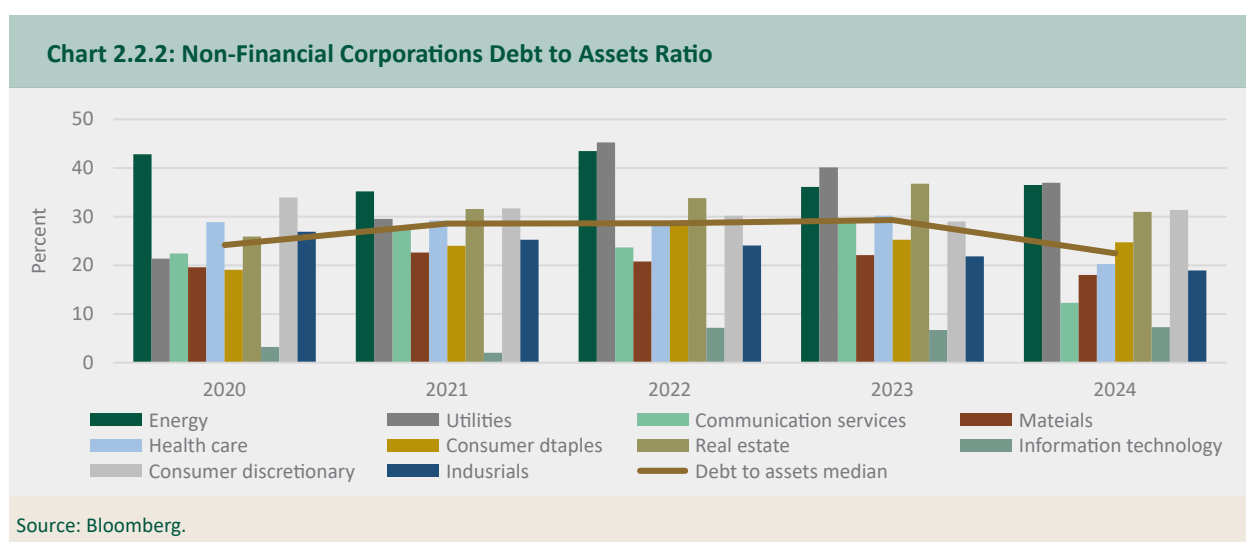


Source: Bloomberg.

⁸ Excluding banks, financial, financial services, and insurance companies.

Reduced leverage ratios reflecting improved financial soundness of listed companies.

While overall capital structures remained broadly stable, the median debt-to-assets ratio declined to 22.5 percent in 2024 from 29.3 percent in 2023, suggesting improved financial positions across a wider range of firms, particularly those with previously elevated leverage. Utilities exhibited the highest leverage at 37.0 percent, while information technology maintained the lowest at 7.3 percent (Chart 2.2.2). The overall decline in median leverage improves corporate resilience, as lower debt levels reduce sensitivity to financing costs and funding pressures. Moreover, given the relatively low median leverage, the financial health of listed non-financial corporates is broadly robust, supporting stable cash flow management and mitigating balance sheet vulnerabilities over the medium term.



Liquidity ratios remain adequate, indicating sufficient liquidity for most sectors.

Liquidity ratios remained broadly stable across non-financial corporations in 2024. The median quick ratio stood at 0.8 in 2024, unchanged from 2023, indicating that companies generally maintain sufficient short-term assets relative to their immediate liabilities. Healthcare exhibited the highest quick ratio at 1.6, reflecting its ability to maintain robust liquidity levels, while energy and consumer staples recorded the lowest at 0.5 and 0.4, respectively.

Asset utilization stayed broadly stable but remains sector-dependent.

Asset turnover increased slightly from 0.50 in 2023 to 0.52 in 2024, indicating marginal gains in efficiency in generating revenues from existing assets. The information technology sector achieved the highest asset turnover at 0.8, supported by scalable digital platforms and relatively low capital intensity, aligning with its robust profitability performance observed in 2024. In contrast, real estate recorded the lowest asset turnover at 0.1,

consistent with its capital-intensive business model and relatively lower profitability, as reflected in the low return on assets. Overall, stable asset utilization trends, combined with improving profitability and liquidity ratios, suggest that listed corporates have maintained operational discipline amid the broader non-oil economic expansion.

More resilient corporate performance has reduced spillover risk to the broader financial system.

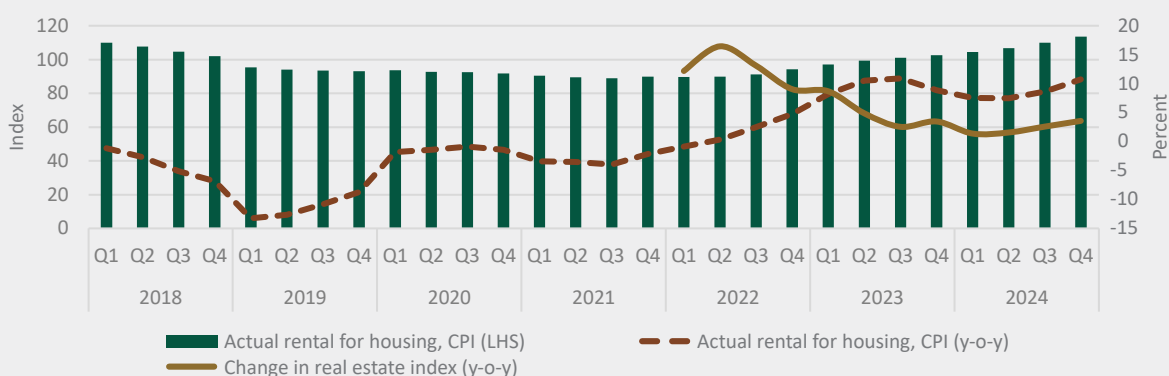
Higher earnings allow firms to service their debt more effectively, which lower default risk, effectively limiting risks to the banking system. This, in turn, helps contain potential spillovers to the financial system and reinforce overall financial stability.

Box 2.1: Navigating the Real Estate Market Amidst Rising Demand and Strategic Initiatives

The housing market in Saudi Arabia has undergone marked development under Saudi Vision 2030, with a focus on providing high quality housing and increasing homeownership to 70 percent by 2030. Government initiatives such as Sakani⁹, along with private sector partnerships, have played an important role in expanding housing supply, particularly in the low-to mid-market segments. These efforts have significantly boosted home ownership among Saudis, which has risen from 47 percent in 2016 to 65.4 percent in 2024, exceeding the government’s 2024 target of 64 percent. Nevertheless, affordability and supply challenges may continue in cities experiencing increasing demand.

Over the past four years, both rental and real estate prices have been on the rise. As of 2024, the real estate index has increased by 20.8 percent since 2021, while rental prices have grown by 21.1 percent during the same period. Notably, the rent price index has exceeded the growth of real estate price index since 2023, registering its highest yearly increase of 9.6 percent in 2023 (Chart A). Rising property prices reflect the growing economic activity in major cities. The increase in rent prices was mainly driven by the cities of Buraiydah, Riyadh, and Jeddah, where rent notably increased over the recent years. In response, the government introduced a set of actions, including the release of between 10,000 and 40,000 residential plots annually at capped prices to increase the supply and improve affordability. This initiative, along with the lifting of restrictions on land transactions in northern Riyadh and the implementation of the white land tax, aims to ease supply constraints and stabilize the market.

Chart A: Housing Rent and Prices



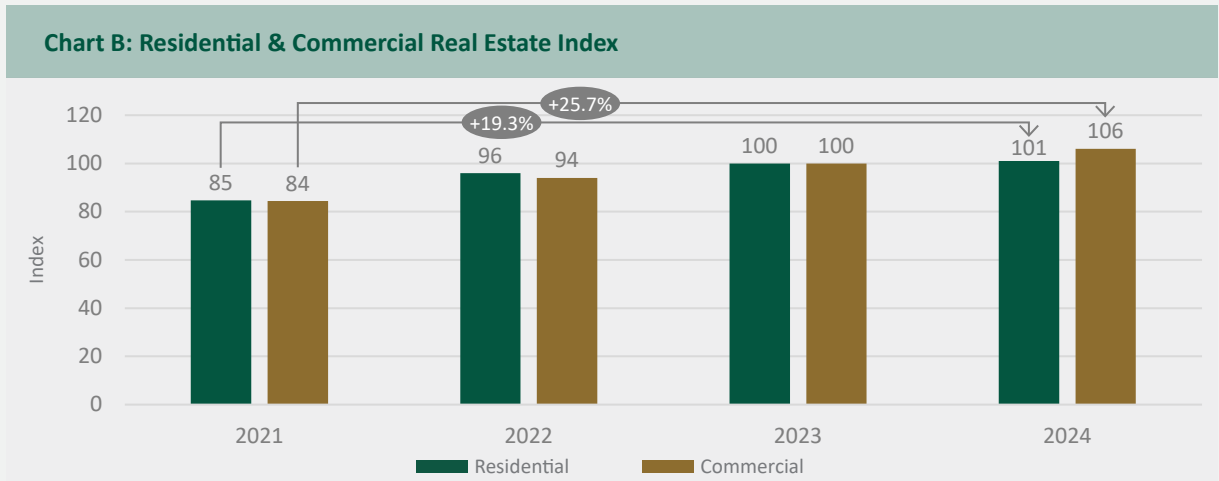
Source: GASTAT
 Note: Real estate index data starts from 2021.

Saudi Arabia’s residential real estate market is expanding, supported by national initiatives and a predominantly young population of over 25 million. As of 2024, the residential real estate index increased by 19.3 percent since 2021. Although the sector continued to grow, the pace of expansion moderated in 2024, with a 1.0 percent increase year-over-year in the residential real estate index. Meanwhile, the commercial real estate

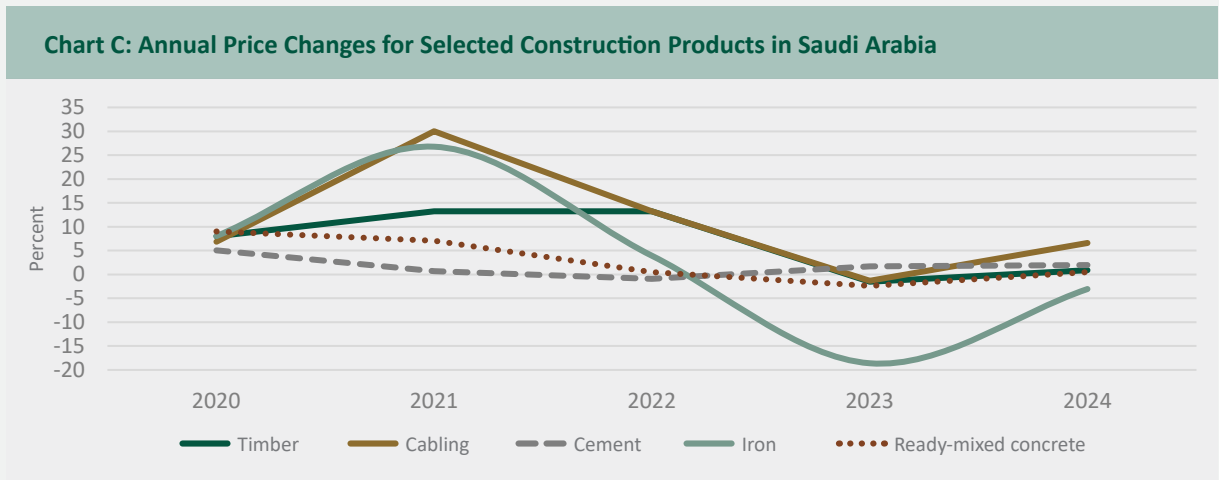
⁹ Sakani is a government program overseen by the Ministry of Municipal, Rural Affairs and Housing, aimed at increasing the homeownership rate in Saudi Arabia. It provides a broad range of housing options to citizens registered with both the Ministry and the Real Estate Development Fund.

index has increased by 25.7 percent since 2021, reflecting higher demand (Chart B). The regional headquarters program (RHQ) has attracted global companies to establish their regional headquarters in the Kingdom, which further boosted the commercial real estate market. Additionally, the introduction of new premium residency products in January 2024, which allows foreign investors to own properties in Saudi Arabia, is expected to support foreign investments in the real estate sector.

Considering supply dynamics, construction costs saw their highest growth rates in 2021, driven primarily by global supply chain disruptions associated with the Covid-19 pandemic, which partially influenced real estate prices in 2022. In 2024, the prices of most selected construction materials continued to rise, except for iron, which declined by 3.1 percent compared to 2023 (Chart C). Price pressures on construction materials have eased since the peak of the Covid-19 pandemic, reflecting more stable supply chains.



Source: GASTAT.



Source: GASTAT.



Banking Sector

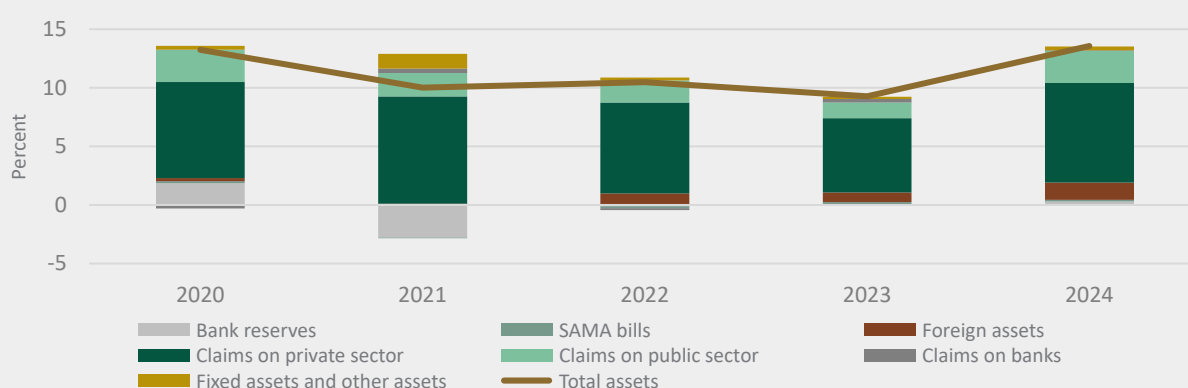
Banking Sector

Banking sector assets remain robust in 2024, supported by notable private sector credit growth and increased public sector financing.

In 2024, total banking system assets grew by 13.6 percent reaching SAR 4,494.2 billion, outpacing the 9.3 percent growth recorded in 2023 (Chart 3.1). The acceleration in asset growth was primarily driven by an increase in claims on the private sector, which accounted for 8.5 percentage points of total asset growth, reflecting continued credit growth since 2018. Claims on the public sector was the second contributor with an increase of 15.7 percent, which accounted for 2.7 percentage points of total asset growth, a faster pace than the previous year. Foreign assets also saw a notable rise, contributing 1.5 percentage points, marking an 18.6 percent annual increase in 2024 and the highest growth in external asset holdings in the past five years. Despite the large growth in foreign assets, their share of total assets increased moderately to 8.4 percent from 8.0 percent in 2023, highlighting that domestic assets are the key driver of asset growth. The remaining items had a positive, albeit limited impact on overall asset growth.

While profitability and asset growth improved in 2024, the banking sector's net foreign asset (NFA) position maintained the trend observed in recent years. By end of 2024, NFA recorded a deficit of SAR 34.2 billion, this change was driven by sustained growth in external funding to support credit and asset expansion domestically. Despite the negative NFA gap, its proportion to the total banking sector assets was immaterial at 0.8 percent at the end of 2024.

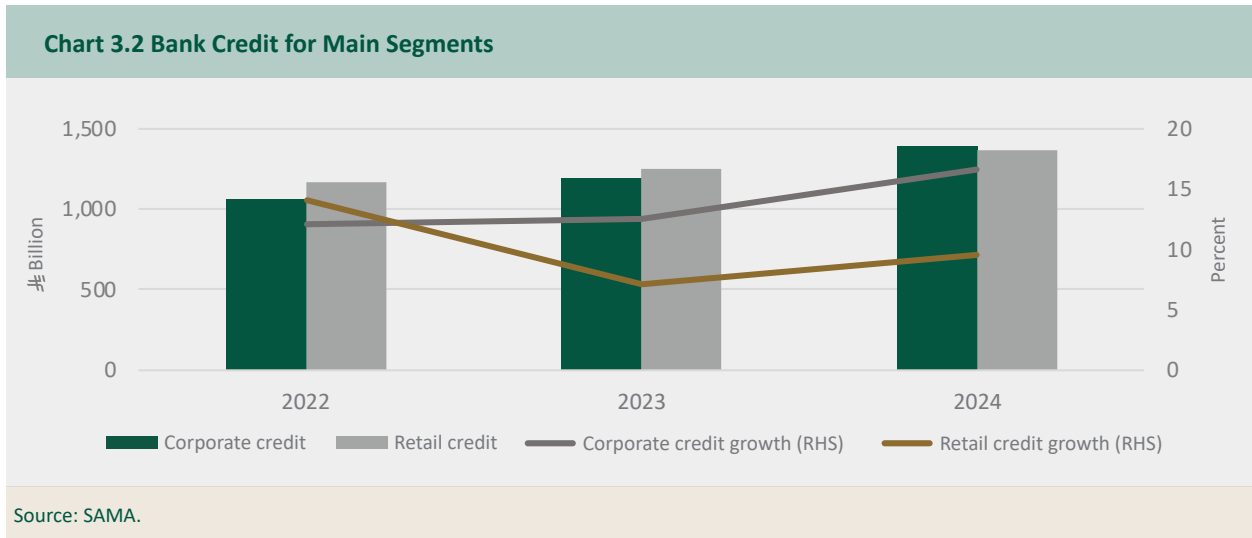
Chart 3.1: Growth Drivers of Banking System Assets



Source: SAMA.

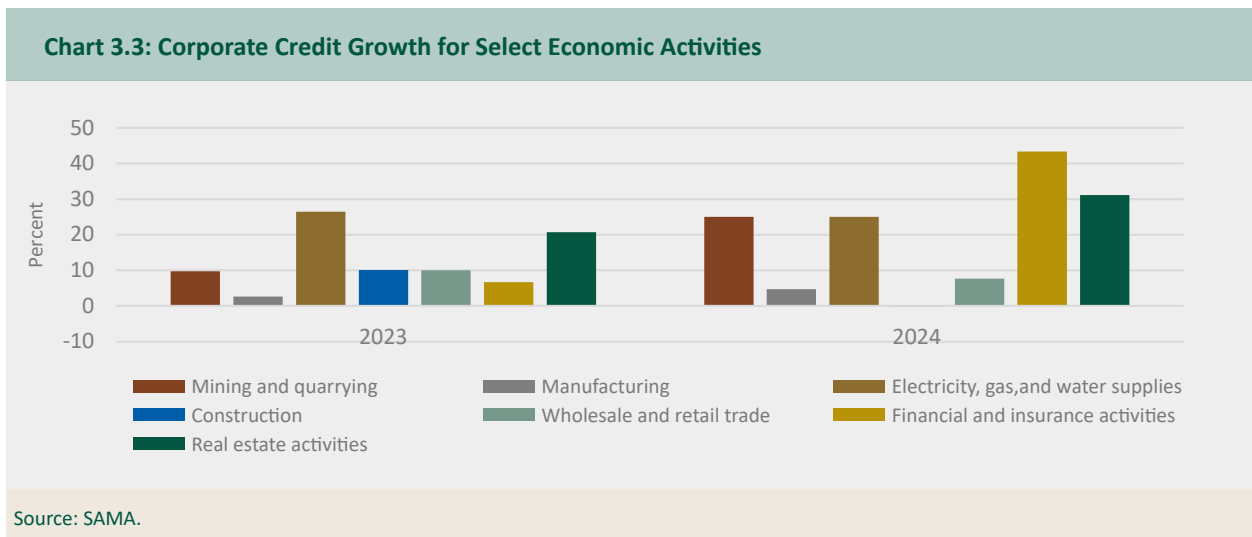
Bank credit expanded at a faster pace in 2024, driven by corporate credit activities.

Total banking sector credit increased by 14.4 percent reaching SAR 2,955.6 billion (Chart 3.2), driven primarily by corporate credit activities, which expanded by 16.6 percent. Retail credit, which grew by 9.5 percent, further supported the overall credit growth.



Real estate activities were a primary driver in the expansion of corporate credit activities, reflecting increased credit demand from firms engaged in development, property management, and commercial real estate services.

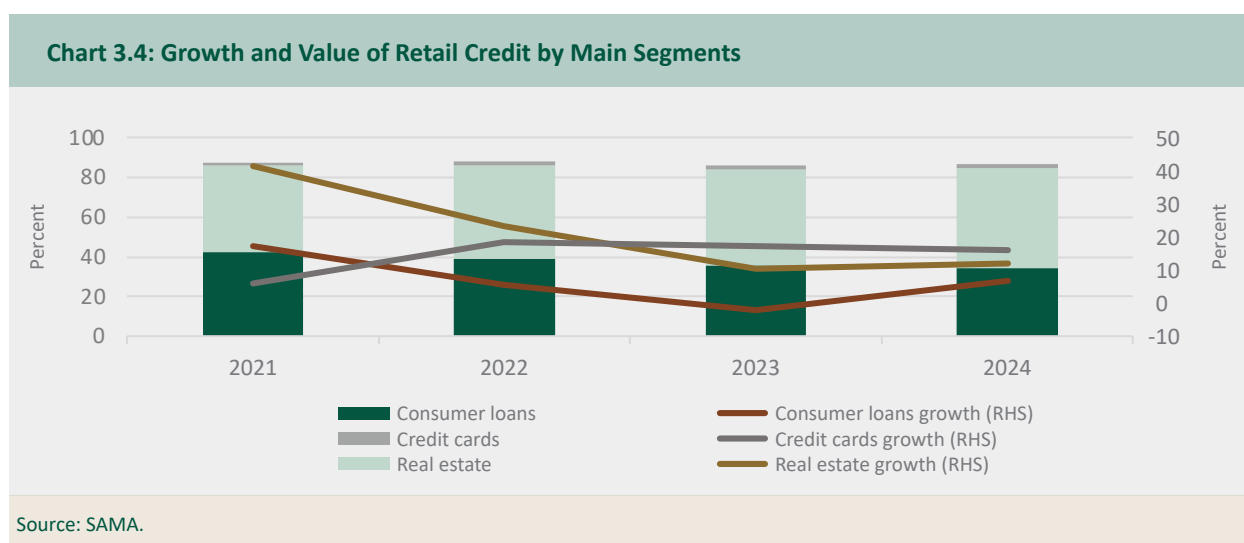
The increase in corporate credit was led by corporate real estate activities, which grew by 31.1 percent, financial and insurance activities by 43.4 percent, and gas and water supplies by 25 percent (Chart 3.3). The expansion in real estate activities reflects both continued investment in commercial and mixed-use projects, as well as growing private sector participation in the real estate sector, particularly in tourism and urban development zones. This expansion is expected to support real estate developers in responding to rising demand resulting from urbanization, expanding tourism, and increased economic activity.



Retail credit maintained solid momentum in 2024, supported by resilient consumer demand and the continued expansion in mortgage lending.

Retail credit remained robust in 2024, with real estate loans increasing by 12.2 percent and consumer loans rebounding by 6.6 percent, reversing the contraction seen in 2023. Credit cards loans also increased by 15.9 percent, yet remained a minor component of overall retail credit (Chart 3.4).

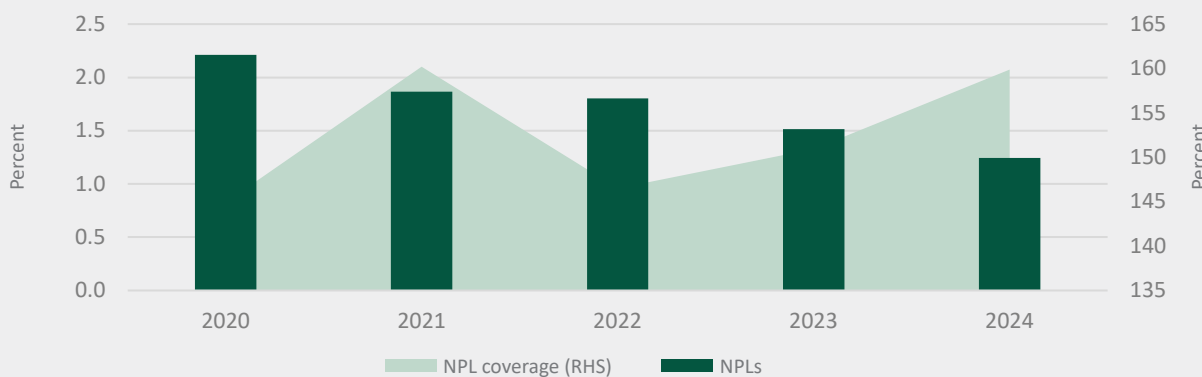
Retail real estate lending, while still the largest component, showed signs of moderation compared to previous years, following a period of rapid expansion between 2019 to 2022, with annual growth averaging 41.3 percent. The earlier surge reflected a low base effect, as real estate activity accelerated in response to Saudi Vision 2030 initiatives aimed at increasing homeownership. The recent moderation indicates a return to more sustainable growth levels. Overall, the expansion in retail credit is a reflection of favorable domestic macroeconomic conditions, particularly the notable improvement in the labor market, reflected in the decline of national unemployment. While retail exposures tend to be of high asset quality, SAMA is carefully monitoring the sector's exposure to real estate in general, particularly given the continued increase in corporate real estate activities.



Asset quality indicators remained favorable in 2024.

The non-performing loan (NPL) ratio has continued its downward trend since 2020, reaching 1.2 percent in 2024, compared to 1.5 percent in 2023 (Chart 3.5). While this trend suggests positive developments in terms of credit quality, it coincided with a notable increase in both corporate and retail lending. Nevertheless, the rise in the provision coverage to 159.9 percent, suggests that banks are maintaining ample buffers to absorb any unforeseen deterioration in asset quality, offering a degree of comfort amid the recent credit expansion.

Chart 3.5: Banking Sector NPLs

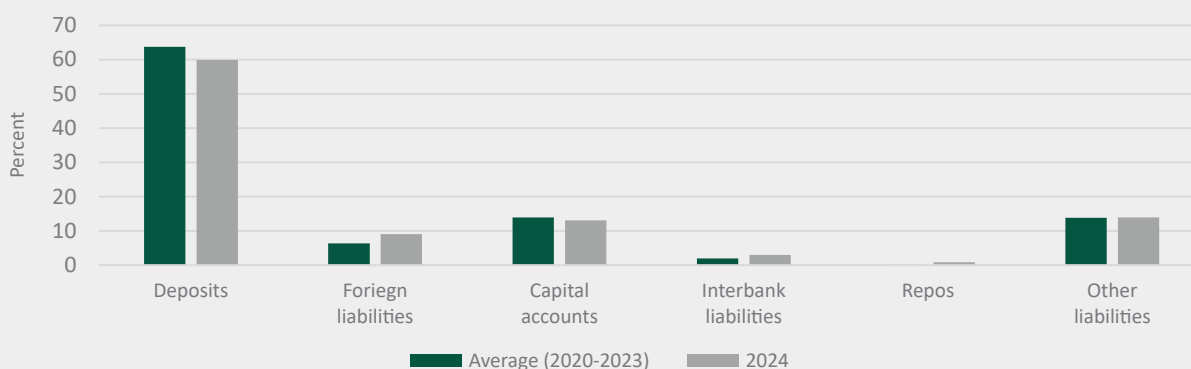


Source: SAMA.

Banks continued to fund credit expansion primarily through deposits, though a gradual shift in the liability structure suggests increased reliance on alternative sources of funding.

In 2024, the banking sector’s liability composition reflected shifting funding dynamics amid sustained credit growth (Chart 3.6). While customer deposits remained the dominant funding source, averaging 63.8 percent of total liabilities between 2020 and 2023, they declined slightly to 59.9 percent in 2024. This was partially as a result of an increase in foreign liabilities, which rose from an average of 6.4 percent during 2020-2023 to 9.1 percent in 2024, signaling greater engagement with external funding markets, in part driven by domestic banks expanding their debt issuance programs. Interbank and repo components as sources of funding also noted a slight increase. These shifts suggest that while the banking sector remains predominantly deposit-funded, diversification of funding sources is underway to fund asset expansion.

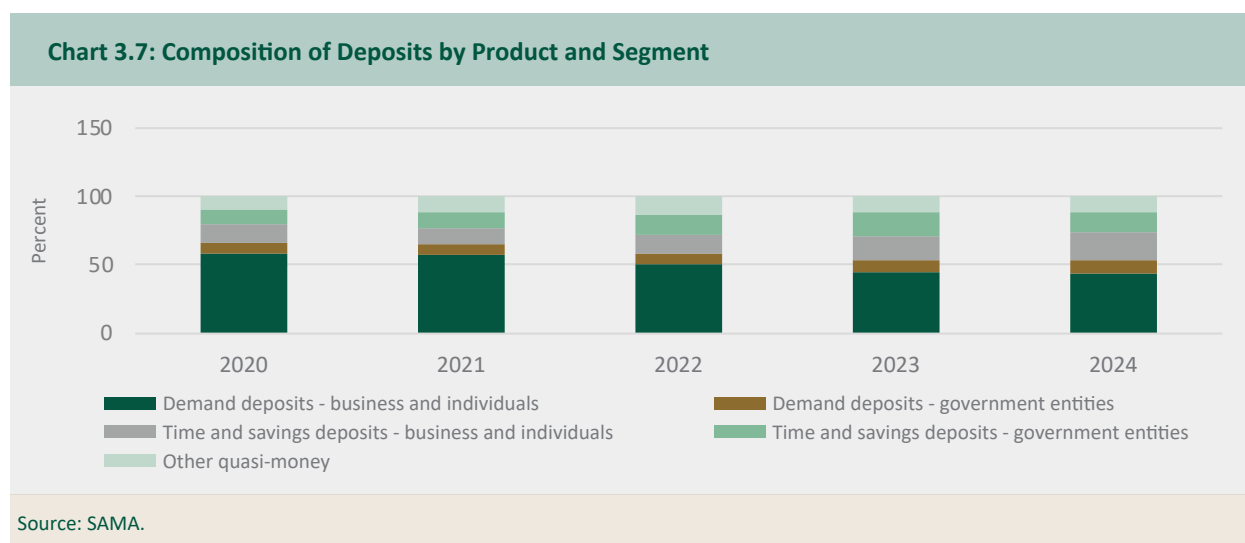
Chart 3.6: Composition of Bank Sector Liabilities



Source: SAMA.

Deposit composition held steady in 2024, with a continued preference for longer-term sources of funding amid the interest rate environment.

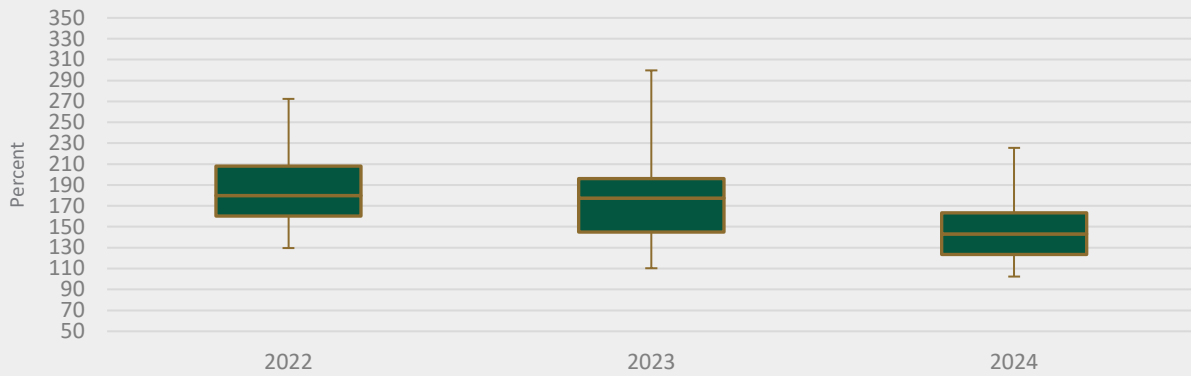
Although interest rate cuts were observed during the year, rates remain relatively high. This environment continued to incentivize depositors to shift from demand deposits toward time and savings deposits. Specifically, the share of demand deposits declined to 53.5 percent in 2024 from 66.0 percent in 2020, while time and savings deposits rose to 35.3 percent, from 24.4 percent over the same period (Chart 3.7). This shift supports a more stable and resilient funding structure for the banking system. These developments reflect the interest rate environment, which influences depositor preference to hold return-earning deposits.



Prudential funding ratios remained sound, reflecting the underlying robustness of bank balance sheets amid ongoing credit growth.

The sector's average liquidity coverage ratio (LCR) declined to 155.2 percent in 2024, down from 178.0 percent in the previous year. Similarly, the median LCR decreased to 143.2 percent in 2024, compared to 177.6 percent in 2023 (Chart 3.8). The gap between the average and median suggests that a subset of banks holds higher liquidity buffers, influencing the overall average. This trend was primarily driven by an increase in net cash outflows that is outpacing the growth in high-quality liquid assets (HQLA). Nonetheless, banks continued to hold substantial and sufficient levels of HQLA.

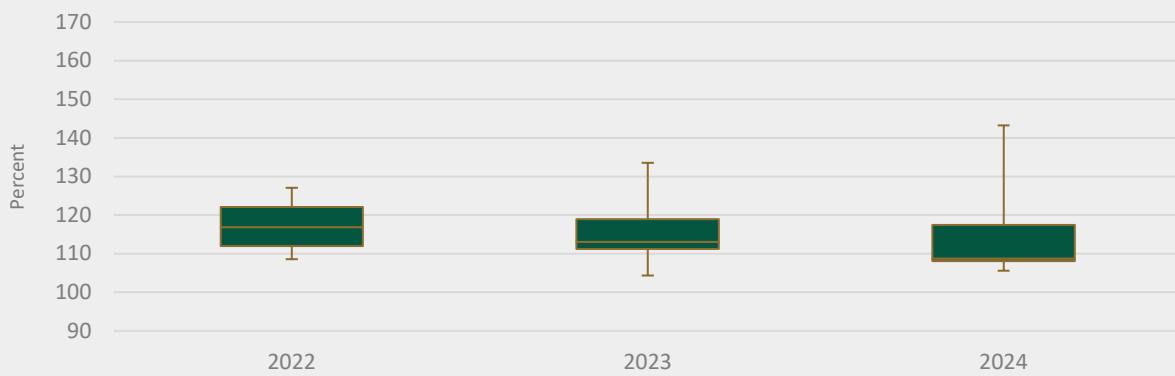
Chart 3.8: Median Banking Sector LCR Ratio



Source: SAMA.

The gross average net stable funding ratio (NSFR) declined to 110.1 percent in 2024 compared to 113.3 percent in 2023 and the median NSFR decreased to 108.7 percent in 2024, from 113.1 percent in 2023 (Chart 3.9). This is a reflection of the notable expansion of credit activities witnessed in recent years. While current levels remain well above the regulatory minimum, a continued decline could gradually reduce funding buffers and increase sensitivity to shifts in funding conditions. However, SAMA continues monitoring credit and funding developments to ensure proactive measures, if required, to support the resilience of the banking sector.

Chart 3.9: Median Banking Sector NSFR Ratio



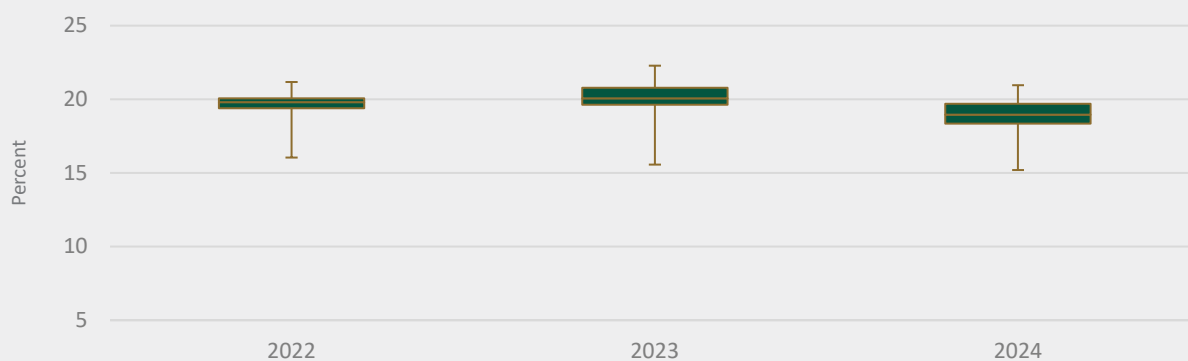
Source: SAMA.

The banking sector's profitability remained robust in 2024, further supporting the capitalization of the banking system.

Return on equity (ROE) rose to 15.0 percent in 2024, compared to 14.7 percent in 2023, supported by asset growth amid a favorable macroeconomic environment. This included ongoing momentum in Saudi Vision 2030 projects, lower interest rates, and contained inflation. The continued shift in the funding mix toward time and savings deposits, which are typically associated with higher costs, contributed to a 1.4 percentage point decline in the interest margin to gross income. Despite this decline, banks maintained robust profitability, as reflected in higher ROE.

The sector's capital adequacy ratio (CAR) remained robust¹⁰, albeit slightly lower, due to high credit growth. The average CAR stood at 19.6 percent in 2024, compared to 20.1 percent in 2023, with the median CAR at 18.9 percent, reflecting continued earnings retention and increased capital-qualifying issuances (Chart 3.10).

Chart 3.10: Median Banking Sector CAR Ratio



Source: SAMA.

¹⁰ In May 2025, SAMA announced its decision to raise the Countercyclical Capital Buffer (CCyB) to 1 percent, effective May 2026.

Box 3.1: SAMA's Solvency Stress Test

Stress Test Methodology

SAMA has conducted a stress testing exercise to assess the resilience of the banking sector against an adverse macroeconomic scenario that is severe. The assessment focuses on solvency positions under various hypothetical scenarios.

Baseline Scenario Narrative

The baseline scenario assumes a stable global economic environment with accommodative financial conditions. Moderate global growth supports oil demand, which reinforces domestic macroeconomic conditions. Government spending continued at a similar pace, with unemployment slightly increasing, but remaining well-below historical levels.

Adverse Scenario Narrative

The scenario reflects a challenging global environment characterized by intensifying geopolitical tensions, global trade fragmentation, and weaker-than-expected economic growth. These dynamics lead to persistent oil price weakness, heightened fiscal pressures, and tighter domestic funding conditions. The scenario assumes that weak global oil demand reduces government revenues, prompting fiscal adjustments that dampen non-oil economic growth.

Under this scenario, the banking sector faces growing strains as increased reliance on less-stable funding sources heightens refinancing risks. Credit risks intensify, particularly in the real estate sector, where continued expansion in corporate and retail lending increases banks' exposure to fluctuations in government spending cycles.

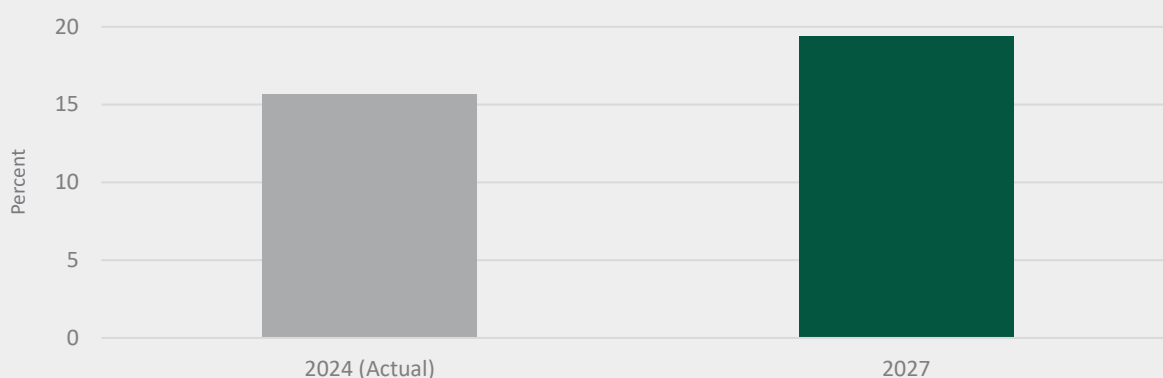
As fiscal constraints and external headwinds weigh on the economy, declining government revenues and public spending drive higher unemployment, reduced private sector activity, and weaker consumer confidence. Global financial tightening further strains domestic banks by limiting funding access, resulting in higher domestic market rates. With tighter funding conditions, rising borrowing costs, and deteriorating asset quality, financial sector vulnerabilities deepen. Defaults increase, especially in sectors dependent on government spending, amplifying credit losses and reinforcing a negative feedback loop between economic activity and financial stability.

The scenario takes place over three-years, with the impact of the shock being most pronounced during the first year, after which economic activity and financial conditions are expected to gradually recover as macroeconomic pressures ease. The shock intensity varies across variables according to the scenario assumptions.

Baseline Scenario Results

Over a three-year horizon, the baseline scenario shows that the banking system remains well-capitalized and continues to remain robust with the aggregate common equity tier 1 (CET1) ratio increasing from 15.6 percent to 19.4 percent, supported by robust earnings and moderate credit losses (Chart A).

Chart A: Baseline Scenario – CET-1

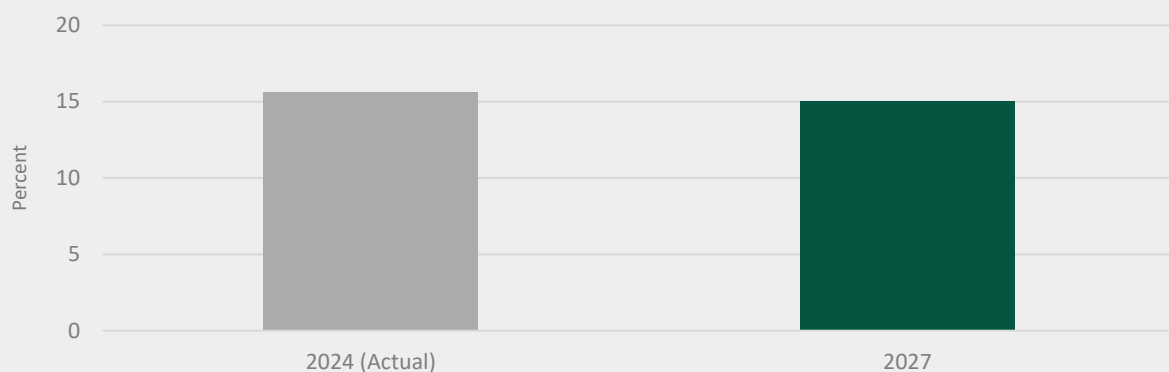


Source: SAMA.

Adverse Scenario Results

In addition to stressed macroeconomic conditions, this scenario assumes a structural shift in the funding characteristics of the Saudi banking system, specifically, an annual shift in the funding base from non-interest-bearing deposits to interest-bearing deposits, further squeezing margins.

Under the adverse scenario, the banking sector's CET-1 ratio declines marginally over three-year period to 15.0 percent (Chart B). The largest capital impact stems from credit impairments in retail loan portfolios, particularly in consumer credit and residential mortgages. This reflects the sensitivity of these segments to stressed macroeconomic factors as provisioning for retail exposures increases significantly and at a faster pace than for wholesale exposures.

Chart B: Adverse Scenario – CET-1

Source: SAMA.

In conclusion, the Saudi banking system demonstrates continued resilience. Even under severe conditions, all banks remained above minimum regulatory capital requirements, demonstrating the resilience of the system's capital base. The 2025 stress test highlights the importance of maintaining ample buffers, as it enables the banking system to withstand broad-based deterioration in asset quality and profitability, while maintaining the supply of credit to the Saudi economy.



Non-Bank Financial Institutions Sector

Non-Bank Financial Institutions Sector

4.1 Finance Companies

Finance companies sector continued to expand in 2024, supported by moderate asset growth and ongoing portfolio development.

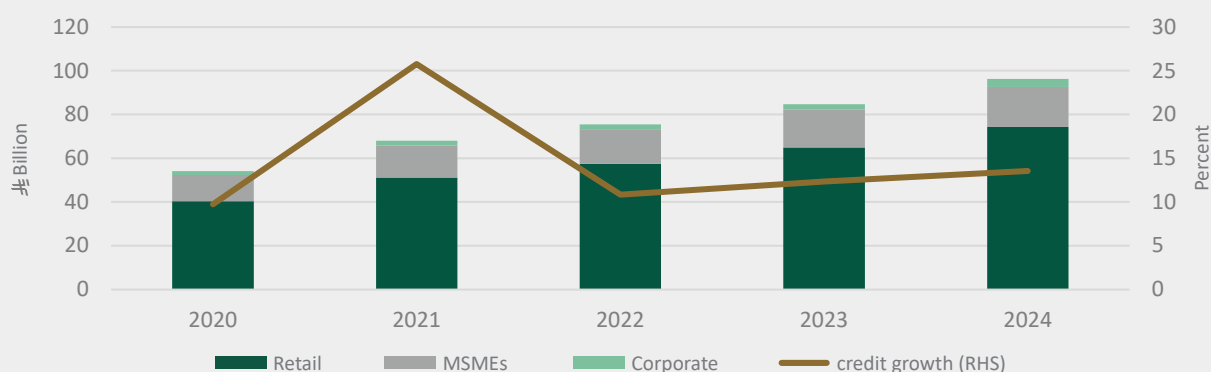
Asset growth moderated in 2024, as total assets increased by 7.8 percent to reach SAR 69.2 billion (Chart 4.1.1).



Retail lending continued to fuel credit expansion in the finance companies sector, while non-retail lending recorded more modest growth in 2024.

Total credit, including off-balance sheet exposures, increased by 13.6 percent in 2024 to reach SAR 96.2 billion compared to a 12.3 percent growth in 2023. Retail lending remained the primary driver of credit growth, comprising 77.3 percent of the total financing portfolio. It grew by 14.4 percent in 2024, reaching SAR 74.4 billion compared to a 13.1 percent increase in the previous year (Chart 4.1.2). This expansion was primarily driven by increased demand for personal finance and auto finance.

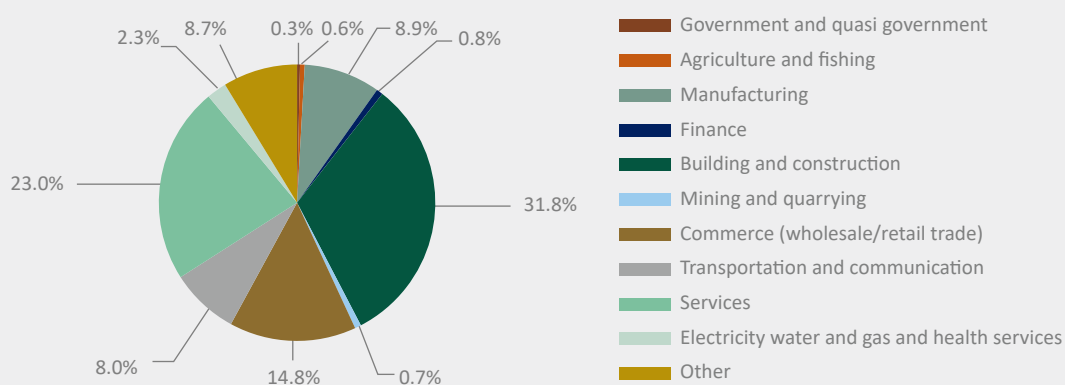
Chart 4.1.2: Financing Portfolio Value Classified by Sector and Credit Growth Trend



Source: SAMA.

On the other hand, the non-retail sector, comprising 22.7 percent of total credit, recorded growth of 10.8 percent in 2024, slightly above the 9.8 percent increase observed in 2023. This was mainly driven by lending to the building and construction sector and services sector, which expanded by 32.2 percent and 38.7 percent, respectively in 2024 compared to 18.1 percent and 25.9 percent in 2023. Together, these two sectors comprised 54.8 percent of the non-retail lending portfolio in 2024 compared to 45.0 percent share in 2023 (Chart 4.1.3). Within the non-retail sector, credit extended to micro, small, and medium enterprises (MSMEs) accounted for 18.9 percent of the total financing portfolio, while lending to corporates represented 3.8 percent.

Chart 4.1.3: Non-retail Financing Portfolio Distribution Classified by Economic Activity in 2024

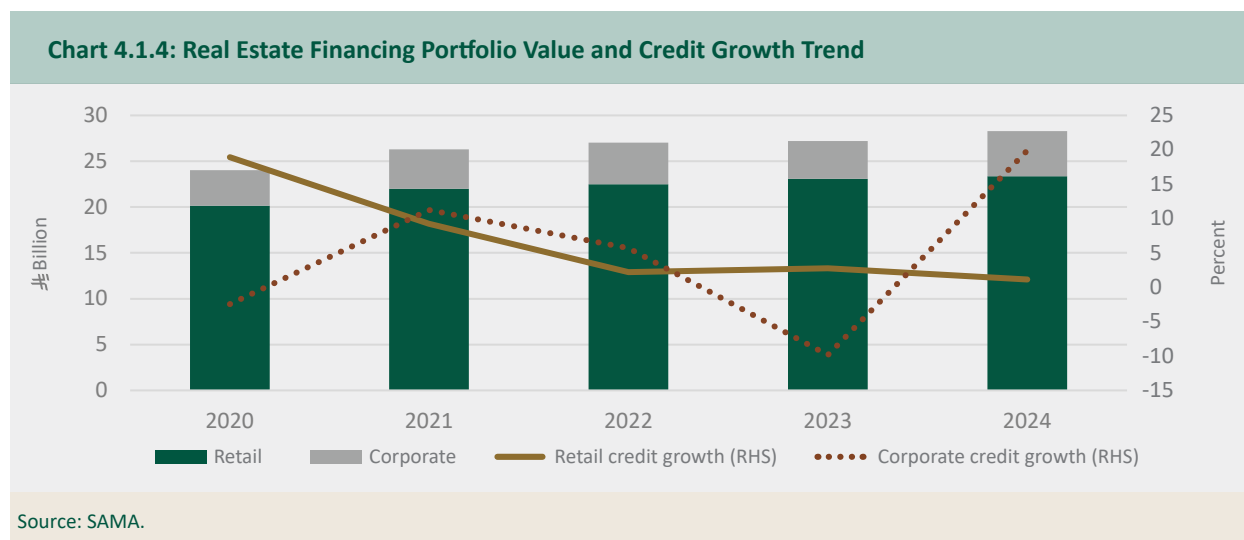


Source: SAMA.

Real estate loans by finance companies expanded in 2024, supported by a notable rebound in corporate real estate financing, while retail real estate lending remained the dominant segment.

Total real estate financing increased by 4.0 percent in 2024, reaching SAR 28.3 billion compared to marginal growth of 0.6 percent in 2023. This expansion was underpinned by a significant 19.9 percent rebound in corporate real estate lending, reversing a 9.9 percent contraction recorded in the preceding year (Chart 4.1.4).

As a result, the corporate real estate share of total real estate credit increased from 15.1 percent in 2023 to 17.4 percent in 2024.



In contrast, retail real estate lending grew at a slower pace, rising by only 1.1 percent in 2024, following a 2.7 percent increase in 2023. Despite this slowdown, the retail segment continued to dominate the real estate portfolio in 2024, accounting for 82.6 percent of total real estate lending. This continued concentration underscored finance companies' heightened exposure to retail borrowers. Accordingly, SAMA is closely monitoring credit conditions and household income trends to maintain the portfolio quality. However, given the sector's relatively small footprint, it is not expected to have a major impact on the broader financial system.

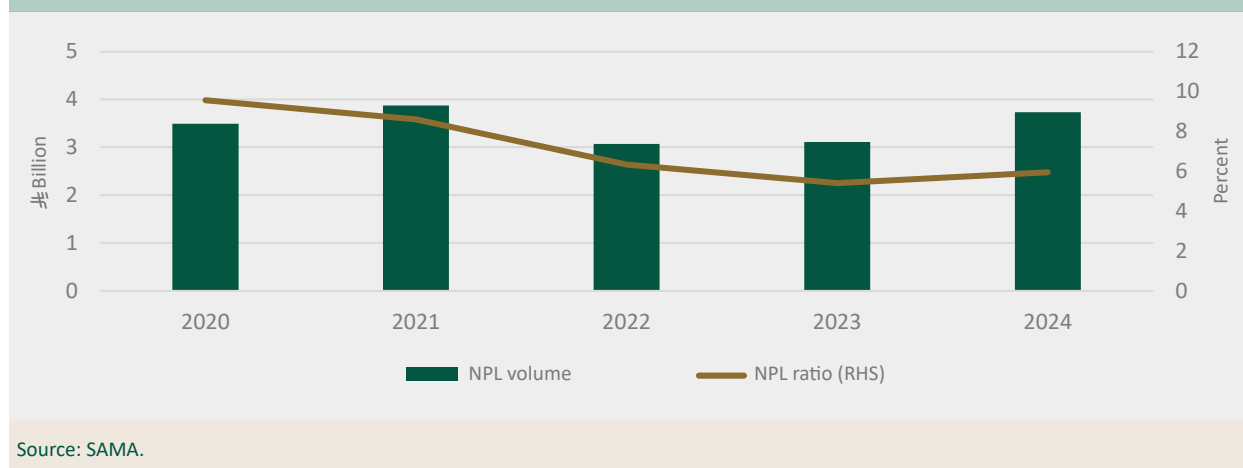
A key factor influencing the mortgage market's transformation has been the ongoing development of Saudi Arabia's secondary real estate market, led by the Saudi Real Estate Refinance Company (SRC). SRC will continue contributing to improving mortgage market dynamics, particularly by enhancing liquidity and supporting balance sheet flexibility through mortgage portfolio acquisitions. These efforts will expand the lending capacity of both banks and finance companies and promote the evolution of the mortgage market. Looking ahead, such initiatives are expected to unlock new opportunities in the real estate finance sector and support the long-term sustainability of the Kingdom's mortgage market ecosystem (Refer to Box 4.1.1 for further details).

Credit risk dynamics in the finance companies sector showed signs of overall stability in 2024.

The overall asset quality of finance companies sector remained broadly stable. The NPL ratio stood at 5.9 percent in 2024, slightly above the 5.4 percent recorded in 2023, indicating a modest decline in asset quality, largely attributable to the retail portfolio (Chart 4.1.5). By comparison, the banking sector generally maintains a lower NPL ratio, supported by greater loan diversification, stricter regulatory capital requirements, and

more conservative lending practices. These requirements are warranted given banks' critical role as deposit-taking institutions, which exposes them to higher systemic risk in the event of distress. In contrast, finance companies typically serve smaller-scale and higher-risk market participants, leading to a structurally higher NPL baseline.

Chart 4.1.5: Non-Performing Loan Volume and Ratio Over 90 Days Past Due



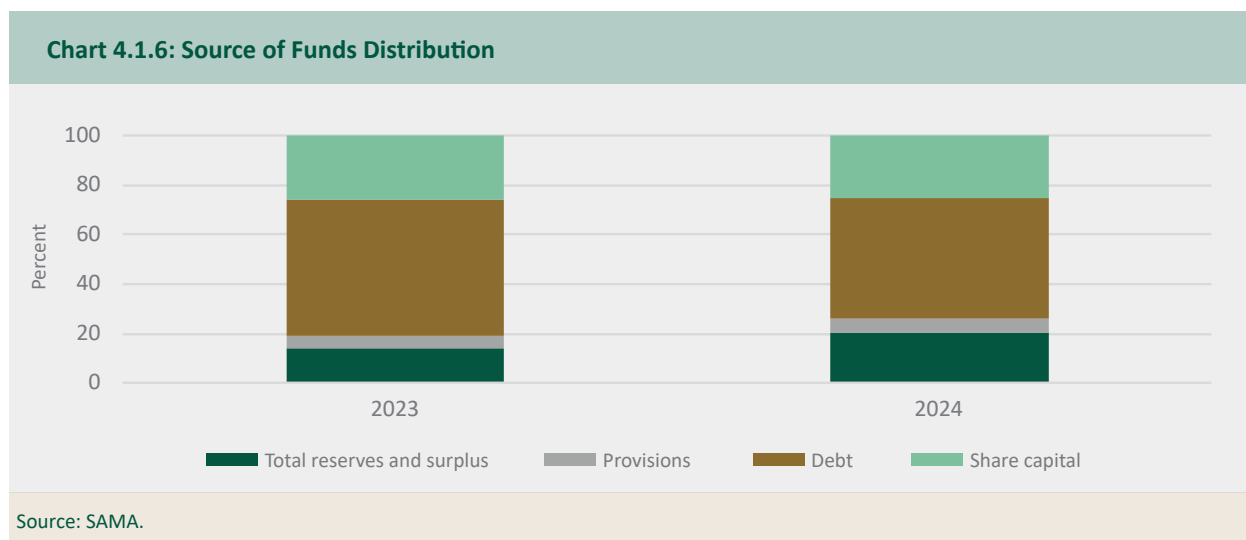
Moreover, finance companies increased their provisions by 17.0 percent in 2024, rising from SAR 3.0 billion in 2023 to SAR 3.5 billion in 2024. This was broadly in line with the rise in NPLs and aimed at safeguarding against potential credit losses. The NPL coverage ratio, which measures how much of the NPL portfolio is covered by provisions, remained relatively sound at 92.7 percent in 2024, slightly down from 95.1 percent in the prior year.

Despite a reduction in debt funding, borrowings remained the primary source of financing for the finance companies sector in 2024, aligning with a decline in the leverage ratio.

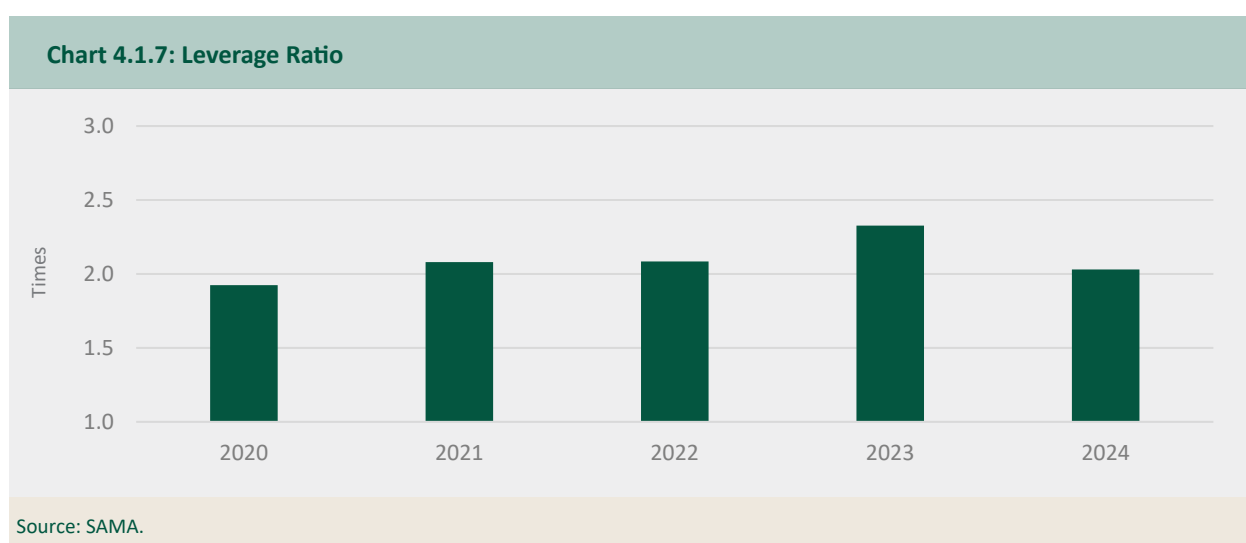
Total funding reached SAR 65.1 billion in 2024 compared to SAR 60.1 billion in 2023, reflecting an 8.4 percent increase. Although total borrowings declined by 4.4 percent in 2024, following a significant increase of 21.3 percent in the previous year, debt continued to represent the largest share of funding, accounting for 48.9 percent of total financing, down from 55.4 percent in 2023 (Chart 4.1.6).

At the same time, reserves and surplus grew by 59.8 percent in 2024, compared to 9.0 percent growth in 2023. This expansion was primarily supported by an increase in retained earnings, driven by improved profitability, which allowed finance companies to reinvest a larger share of their earnings into reserves. Increasing reserves enhanced the sector's resilience to financial shocks by building additional buffers and improving its capacity to manage any potential pressures from rising NPLs.

Share capital grew from 5.6 percent in 2023 to 6.3 percent in 2024, remaining broadly stable at an average share of 25.5 percent. The decrease in borrowings, alongside improvements in reserves and share capital, reflected deleveraging by finance companies through repayment of existing debt, the refinancing of expensive borrowings at lower-cost following interest rate declines, and the gradual reduction in reliance on debt to mitigate financial risks.



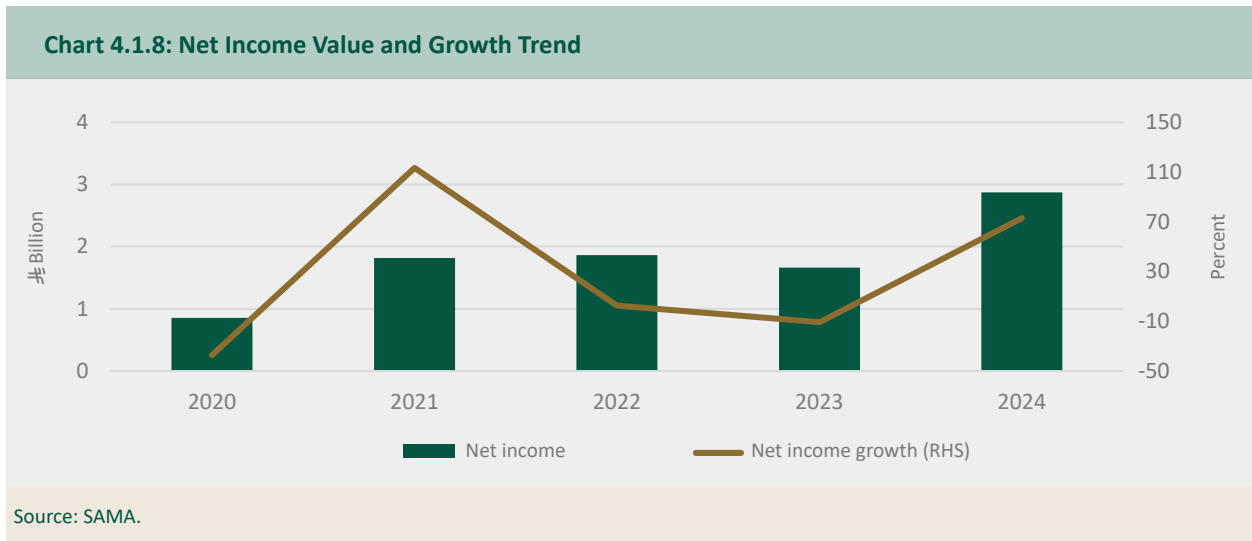
The deleveraging trend is further reflected in the leverage ratio¹¹, which fell from 2.3 times in 2023 to 2.0 times in 2024 (Chart 4.1.7). Concurrently, total liabilities decreased marginally by 2.5 percent to SAR 39.3 billion, highlighting that asset growth for the sector was driven by equity expansion. These improvements together contributed to an improved capital base and supported a shift toward a more cautious approach towards funding and balance sheet management.



¹¹ The leverage ratio is the aggregate financing offered over total equity.

The finance companies sector recorded a remarkable rebound in profitability in 2024, supported by notable revenue growth.

Net income increased substantially by 72.8 percent in 2024, reaching SAR 2.9 billion compared to a 10.9 percent decline recorded in 2023 (Chart 4.1.8). This recovery was driven by a 70.1 percent increase in net operating income in 2024, which rose to SAR 3.3 billion in 2024, reversing the 9.6 percent decline observed in the previous year. The robust growth in operating income reflected an expansion in credit volumes, particularly in the retail segment.



The improvement in profitability was also reflected in ROE, which increased from 7.0 percent in 2023 to 9.6 percent in 2024. This development highlighted both robust earnings and greater efficiency in leveraging the expanding equity base, alongside effective management of funding costs.

Box 4.1.1: Saudi Real Estate Refinance Company

The SRC continues to play a central role in advancing the Kingdom's housing finance ecosystem. In line with the Housing Program under Saudi Vision 2030, SRC supports sustainable homeownership by enhancing market liquidity and efficiency, expanding the lending capacity of financial institutions, and potentially lowering systemic risks for banks. These efforts, in turn, enable greater lending activity across the financial sector. SAMA supports such national initiatives, including securitization, to improve financial resilience and broaden funding access.

Growing financing demands have prompted some financial institutions to tap into international capital markets through bonds and sukuk issuances to support balance sheet growth and diversify funding sources. SRC contributes through several key channels, such as sukuk issuances, mortgage portfolio acquisitions, which collectively sustain mortgage availability and promote funding diversification.

Securitization stands out as a critical tool, providing mortgage originators, particularly banks and finance companies, with access to both domestic and international capital markets. By acquiring mortgage portfolios, SRC enables lenders to free up capital and expand their lending activities. This process also facilitates risk transfer, allowing financial institutions to reduce concentrated exposures and contribute to a more resilient financial system.

SRC's financial performance in 2024 reflected a slight decline in total assets, driven mainly by a reduction in dues from banks and financial institutions. Meanwhile, the NPL ratio stood at 0.8 percent in 2024, slightly above the 0.5 percent recorded in 2023, yet remained stable, reflecting overall credit quality.

Despite these trends, profitability improved significantly with net income rising 46.9 percent in 2024 to SAR 0.2 billion compared to a 42.8 percent increase in 2023, supported by higher net financing income and lower operating expenses. ROE increased from 2.7 percent in 2023 to 3.8 percent in 2024, reflecting improved earnings generation and more efficient capital utilization.

Looking ahead, the development of a resilient and well-regulated securitization market, supported by robust governance frameworks and SAMA's oversight, will be critical to deepening Saudi Arabia's mortgage market.

4.2 Insurance

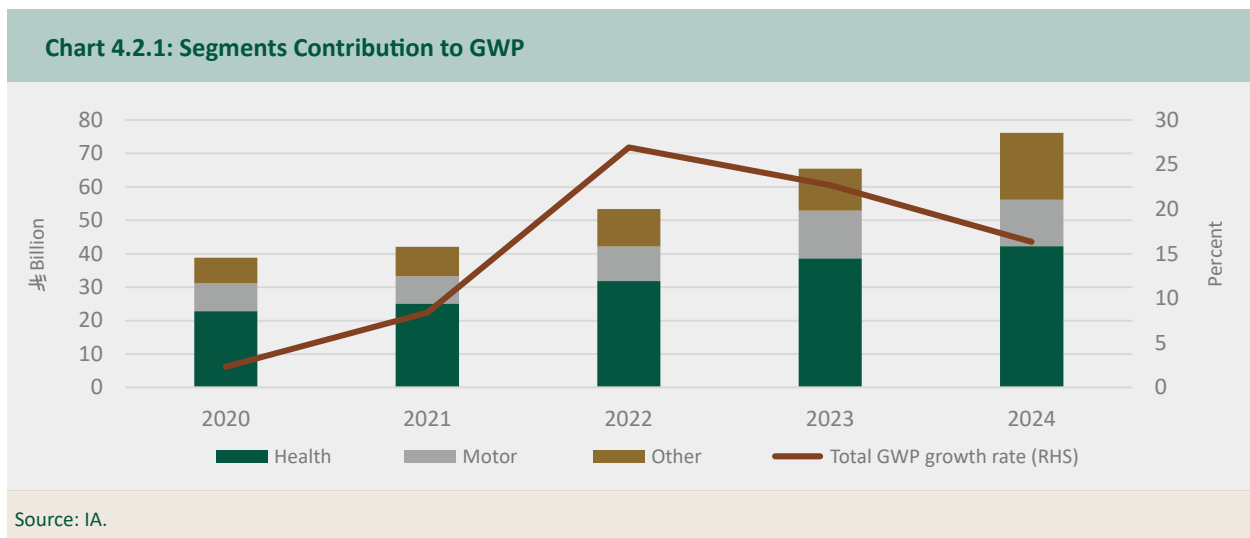
The Saudi insurance sector recorded notable premium growth in 2024, driven by structural shifts in demand and expanding uptake across both traditional and emerging lines of business.

In 2024, gross written premiums (GWPs) rose by 16.3 percent, reaching SAR 76.1 billion, up from SAR 65.5 billion in 2023 (Chart 4.2.1). While this represents a moderation from the 26.9 percent growth in 2023, the sector continued to expand at a healthy pace, in line with the growth in the non-oil economy.

Health insurance remained the largest segment, with GWPs rising by 9.4 percent to SAR 42.2 billion. Motor insurance, which historically comprised a substantial share of total premiums, contracted by 2.8 percent to SAR 13.9 billion, in part reflecting market adjustments and competitive pricing dynamics.

Notably, protection and savings insurance recorded a sharp increase, reaching SAR 7.7 billion. Moreover, this business line now constitutes 10.1 percent of total GWP in 2024, up from 3.9 percent in 2023, underscoring a growing interest in long-term coverage and financial security products. Engineering insurance also posted an increase of 36.9 percent, reaching SAR 2.9 billion, consistent with elevated activity in infrastructure and construction related projects.

The growth in total GWP was supported by both structural and regulatory factors, including the implementation of mandatory health coverage requirements, sustained infrastructure investments, and rising awareness of risk transfer solutions. These trends are aligned with broader growth in the non-oil economy and underscore the sector's increasing relevance as a contributor to economic resilience.

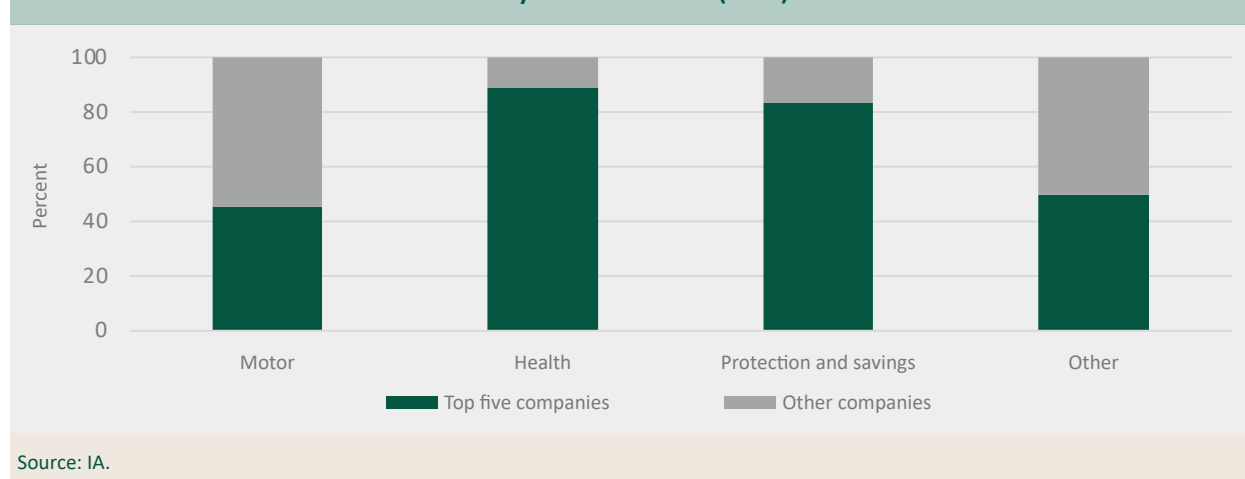


The sector's concentrated structure reflects scale advantages and distributional reach, but also highlights the importance of monitoring potential sources of market and operational fragility.

The insurance sector remains highly concentrated, with a small number of large insurers accounting for the bulk of written premiums. In 2024, the top five insurers accounted for 88.8 percent of health premiums, 83.6 percent of protection and savings, 45.5 percent of motor, and 49.6 percent across other lines of business (Chart 4.2.2).

While concentration may support cost efficiency and capital investment, it also introduces concentration risk if vulnerabilities were to materialize within a key institution. This is particularly relevant in health insurance, which comprises 55.5 percent of total GWP and plays a critical role in supporting social well-being and broader economic stability. From a system-wide perspective, this structure warrants continued attention to key dependencies, especially in the context of interlinkages between insurers, healthcare providers, and policyholders. Maintaining operational resilience among leading institutions remains a key priority for sectoral soundness.

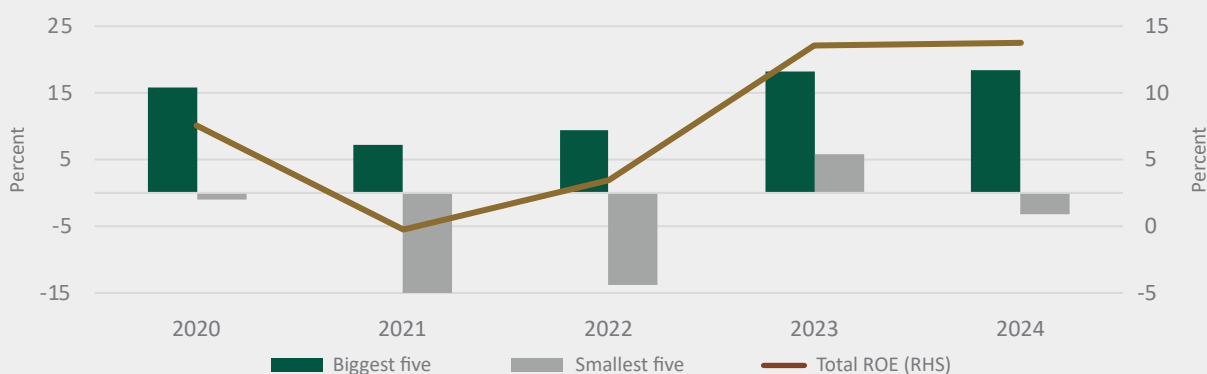
Chart 4.2.2: GWPs Market Concentration by Line of Business (2024)



Improved sector profitability in 2024 was supported by stable underwriting performance and rising business volumes, particularly among larger insurers with diversified portfolios.

The insurance sector recorded improvement in profitability in 2024, supported by operational performance across major business lines. Net income rose by 12.8 percent year-over-year to reach SAR 3.6 billion, compared to SAR 3.2 billion in 2023. ROE also edged higher to 13.7 percent, from 13.5 percent in the previous year, reflecting stable underwriting margins and positive momentum in the insurance sector (Chart 4.2.3). The performance of large insurers was a major contributor to this outcome in 2023.

Chart 4.2.3: ROE

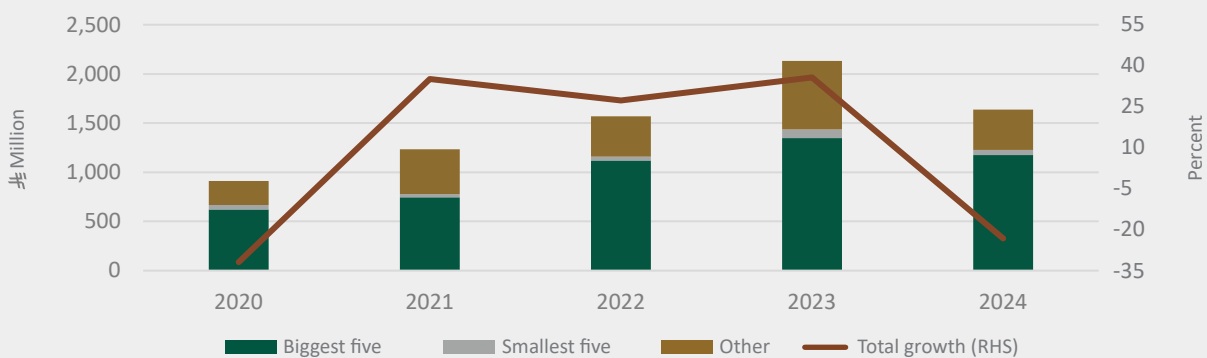


Source: IA.

Insurers’ investment income decreased, possibly due to a lower interest rate environment.

Aggregate investment income declined to SAR 1.6 billion, down 23.2 percent from the previous year (Chart 4.2.4). This contraction can partially be attributed to the easing of domestic interest rates during 2024. Insurance companies’ investment strategies remain largely conservative, with portfolios concentrated in short term deposits and domestic fixed-income instruments. Despite the decline in investment income, the sector’s solvency position remained resilient.

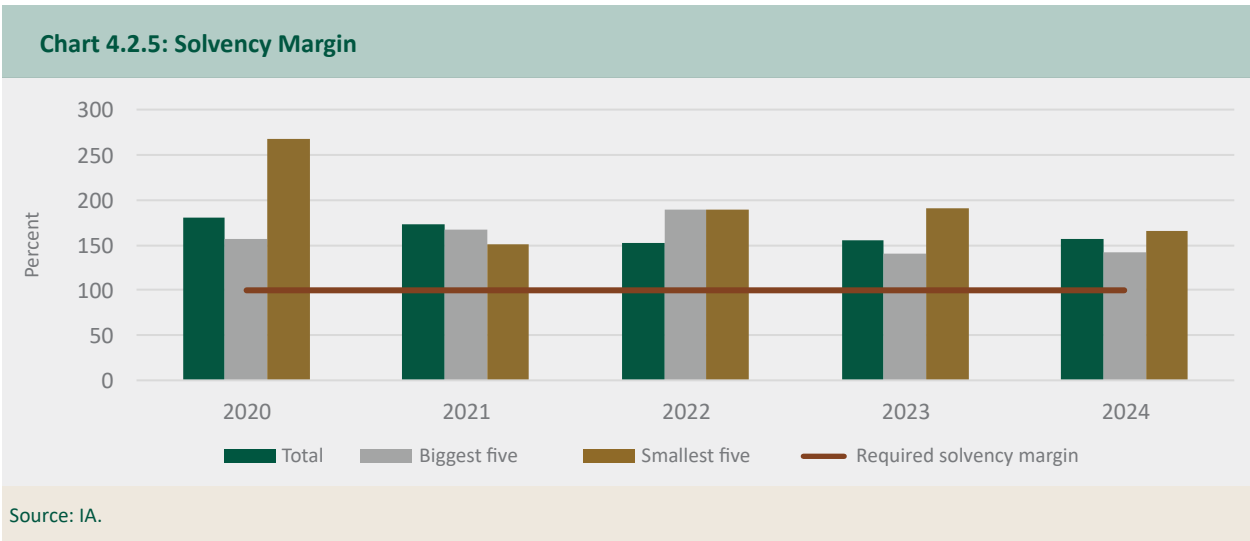
Chart 4.2.4: Investment Income



Source: IA.

Solvency metrics remained robust across the sector, supported by conservative capital positions and ongoing regulatory alignment, including the implementation of IFRS 17.

The insurance sector maintained a robust solvency position in 2024. This is reflected in the aggregate solvency margin, which rose slightly to 156.8 percent, up from 155.6 percent in 2023, well above the regulatory minimum of 100 percent. This provides a healthy buffer against potential shocks, such as claims volatility, investment risks, and operational disruptions. Solvency outcomes differ across firms, with smaller insurers reporting an average solvency margin of 165.2 percent by year-end (Chart 4.2.5). This relatively higher ratio reflects more conservative portfolio and simpler operational models, in contrast to larger, more diversified peers.



4.3 Capital Market Institutions

Saudi Arabia's capital markets continue to expand, with increasing institutional participation and a growing role for investment funds.

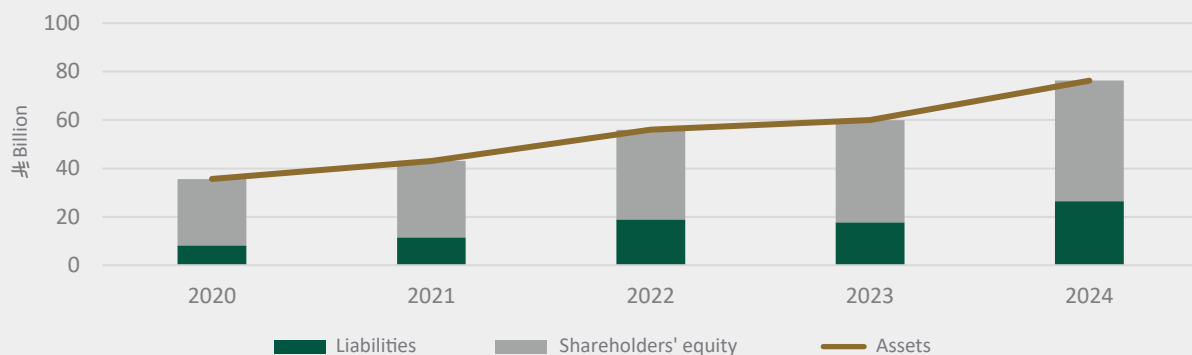
The Saudi capital market continues to expand, supported by the growth of capital market institutions (CMIs) and investment funds. The number of CMIs increased by 16.5 percent, reaching 155 as of the end of 2024, which exceeds the five-year average of 10.6 percent. This growth underscores the rising role of non-bank financial institutions in the domestic capital market, supported by Saudi Vision 2030 initiatives that continue to foster financing and investment activity.

Growth in CMIs has been accompanied by a significant rise in assets under custody services, which reached SAR 2.6 trillion, marking an increase of 51.9 percent in 2024. It highlights the growing demand for asset management and the continued development of market infrastructure driven by relevant Saudi Vision 2030 programs, such as the financial sector development program (FSDP).

CMIs are expanding their balance sheets with leverage rising, while liquidity ratios remain adequate.

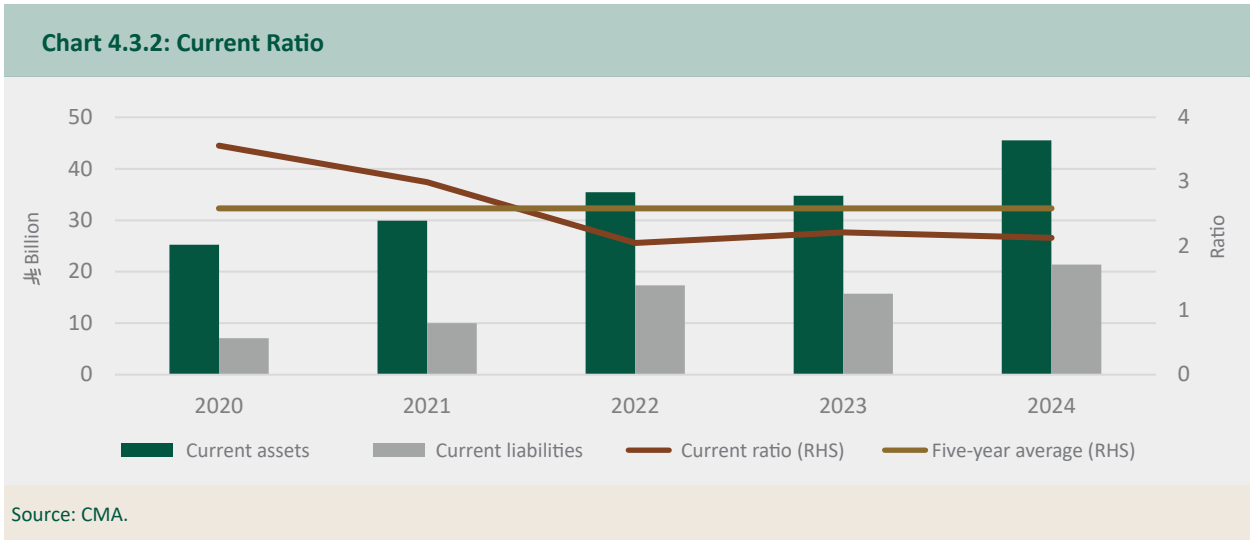
Total assets of CMIs expanded to SAR 76.3 billion, reflecting a 27.1 percent increase in 2024 (Chart 4.3.1). This growth has been accompanied by a shift in funding composition. While total equity expanded marginally by 17.7 percent, liabilities increased at a faster rate of 49.7 percent in 2024. As a result, the share of liabilities to total assets rose to 34.7 percent in 2024, above the five-year average of 29.6 percent. It is important to note that, as a mitigating factor, CMIs continue to demonstrate robust financial resilience, with an average CAR of 26.3 percent as of Q4 2024.

Chart 4.3.1: CMIs Balance Sheet



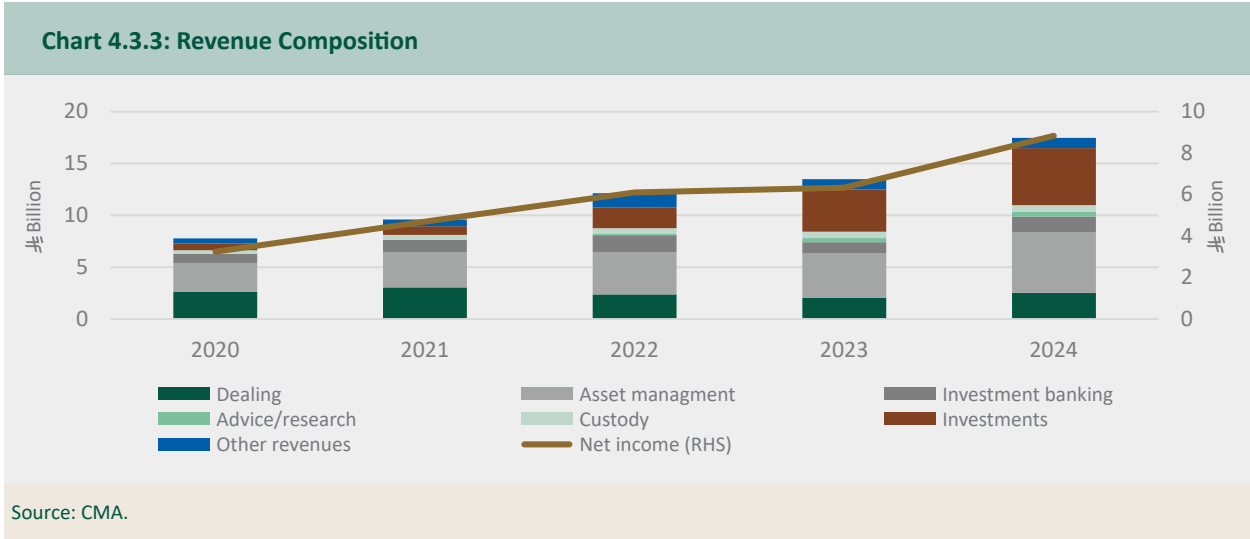
Source: CMA.

Liquidity ratios within CMIs have also changed, declining to 2.1, below the five-year average of 2.6 (Chart 4.3.2). While CMIs still maintain adequate coverage for short-term obligations, the trend suggests a shift toward longer-term obligations



CMI's profitability has largely been driven by investment income.

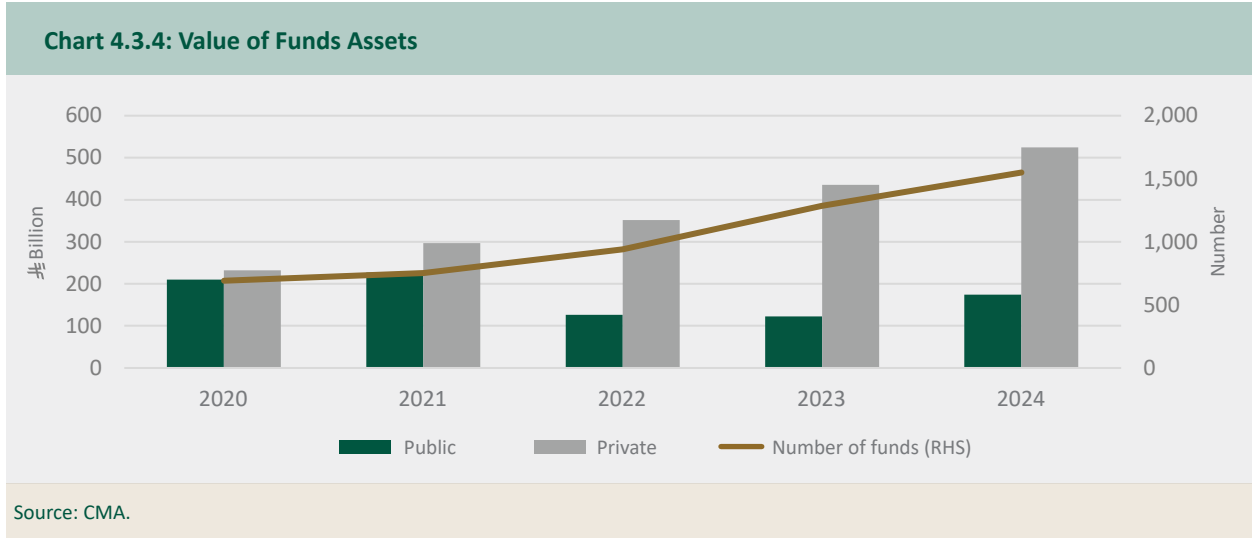
The profitability of CMIs remained robust, with net income reaching SAR 8.8 billion, reflecting a 39.4 percent growth rate (Chart 4.3.3). However, the composition of revenues has shifted in the past few years, with investment income increasing from 8.0 percent of total revenues in 2020 to 31.4 percent in 2024. This shift highlights a growing dependence on investment-driven earnings, while transaction-based revenue growth has declined down to 19 percent in 2024 from 33.8 percent in 2020.



Private funds continue to expand in both value and number, while growth in public funds began to recover.

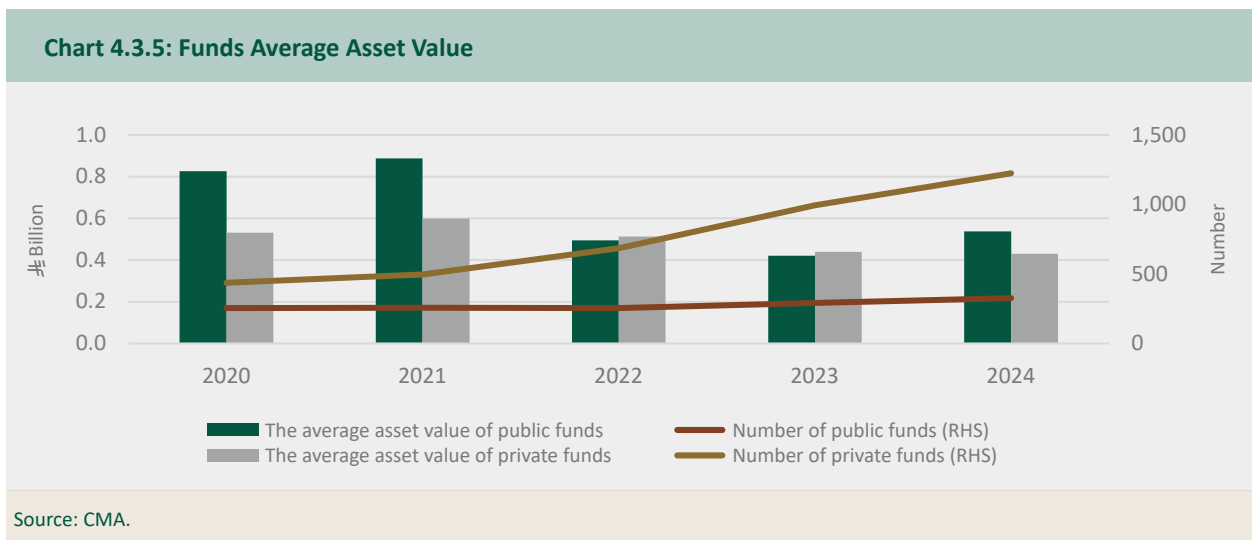
The investment funds sector has maintained steady growth, with both public and private funds expanding in number and value (Chart 4.3.4). Nevertheless, private funds growth has outpaced public funds growth, reflecting a structural shift in the Saudi capital market, showing more participation and an increase in investor appetite. This growth in private funds was mainly driven by the growth in the real estate funds, averaging 32.2 percent in the

last five years. As of the end of 2024, private funds reached SAR 524.6 billion in total assets, with 1,224 funds in operation, while public funds stood at SAR 174.4 billion, comprising 325 funds. The share of private funds from total public and private funds, in terms of value, increased from 52.5 percent in 2020 to 75.1 percent in 2024. Similarly, their share in the total number of funds rose from 63.2 percent to 79.0 percent over the same period.



The average size of private funds has declined, indicating a possible shift to more smaller funds.

Despite the expansion in the number of private funds, the average value per private fund declined 1.8 percent in 2024 (Chart 4.3.5). Similar to the value, the number of real estate funds was the main driver of growth in private funds, rising by 36.4 percent in 2024 as heightened real estate activity attracted higher demand and investment. As for public funds, their average value recovered by 27.4 percent in 2024, after experiencing notable declines during the preceding years.



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