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FINANCIAL PERFORMANCE ANALYSIS OF SAUDI ALRAJHI BANK (2008-2024)

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ABSTRACT

Purpose – This study examines Al Rajhi Bank's financial results over the period from 2008 to 2024. Financial ratios, including liquidity ratios, solvency indicators, non-performing loans, profitability ratios, and utilization ratios, are used to highlight the positive and negative aspects of the bank's financial performance and provide recommendations for improvement.

Methodology - The study utilized an analytical approach to examine the financial data gathered from the financial reports of Al Rajhi Bank and the Saudi Central Bank covering the period from 2008 to 2024. The purpose of the analysis was to evaluate the bank's financial performance.

Findings – The findings suggest that the bank's liquidity ratio might require adjustment to adequately address obligations, including unexpected or significant withdrawal demands. The bank's solvency indicator has generally decreased over time; however, a recovery in solvency began in 2022, indicating that the bank has made significant efforts to improve its solvency and capital. During the study period, the percentage of non-performing loans declined, and the return on equity rose, resulting in profits that suggest the bank is highly efficient in its asset managementThe bank's efficiency ratio fell, indicating that it managed its expenses effectively in relation to revenue growth. Additionally, the efficiency ratio has declined over time, suggesting ongoing improvement in expense management relative to revenue growth. A study of the utilization ratio indicates a trend toward increased lending following 2020. To address the risks that arise from lending beyond its deposit base, the bank must prioritize strong liquidity management and implement effective risk controls. Furthermore, improving customer engagement and exploring new financial products could enhance revenue streams, allowing the bank to sustain its growth trajectory. As the financial landscape evolves, strategic investments in technology and innovation will be crucial for staying competitive and meeting customer demands.

Originality- This paper provides an original contribution by analyzing the financial performance of Al Rajhi Bank, the largest Islamic bank in Saudi Arabia and one of the most important banks in the world, over a 17-year period from 2008 to 2024. It analyzes liquidity, financial solvency, non-performing loans, profitability, efficiency, and utilization ratios, making the analysis comprehensive. Previous studies, on the other hand, focused on a limited analysis of profitability and liquidity ratios in Saudi banks.

This research is an addition to the literature by focusing on Al Rajhi Bank, as this focus provides academic insights for researchers and practical insights for stakeholders, investors, depositors, and the regulatory bodies of the Saudi Central Bank.

Research Implications – The results of the study are based on historical data and may not fully reflect the current or future performance of the bank.

Practical Implications-The results provide important managerial and operational insights for Al Rajhi Bank in order to enhance its market value and competitive advantage and fulfill its mission towards society. The study emphasizes the importance of analyzing the financial performance to identify the positives and negatives, which contribute to the process of making and taking financial decisions to contribute to the stability and efficiency of the bank's financial performance.

Keywords: Al Rajhi Bank, Financial performance, Liquidity ratios, Non-performing loans, Solvency indictor, Profitability ratios, Utilization ratio.

Article Classification – Case study.

INTRODUCTION

Analyzing the financial performance of banks has a positive or negative impact on the financial and economic stability of financial institutions at both the local and international levels. This research paper focuses on analyzing the financial performance of Al Rajhi Bank, which has been the largest Islamic bank in Saudi Arabia and globally for over 60 years in terms of market capitalization. According to the 2024 financial report, total assets reached 974 billion Saudi Riyals, and market capitalization reached 396 billion Saudi Riyals. This was achieved through 512 branches, over 4317 ATMs, and 786,252 points of sale, confirming its leadership in the Saudi financial system (Alrajhi Bank,2024).

The study determines to analyze financial performance through liquidity ratios, solvency indicators, non-performing loan ratios, and profitability ratios, such as Return on Equity (ROE), Return on Assets (ROA), and the utilization ratio, for the period from 2008 to 2024, which adds depth to the existing literature.

The problem of the paper depends on answering the following questions:

What is the purpose of analyzing the financial performance of Al Rajhi Bank?

Does Al Rajhi Bank have good financial performance?

By answering these questions, the paper aims to identify the strengths and weaknesses in the bank's financial performance and provide recommendations to help maintain and increase the positives, reduce deviations, and work to address them.

The paper's structure reviews the relevant literature on the financial performance of banks and the methodology of financial ratios used in the analysis, followed by the results and conclusion.

LITERATURE REVIEW

Financial Performance

Financial performance refers to the process of a bank's financial performance efficiently achieving financial objectives within a specific period of time to determine the bank's financial position (Taheri, 2018). In monetary terms, a bank's financial results are calculated to achieve a competitive advantage over its competitors. Banks can establish optimal financial and non-financial systems (Harrison, 2015). The value of financial performance for banks stems from its endeavor to evaluate bank performance by identifying its strengths and weaknesses. It helps managers make decisions and develop strategies. The value of financial performance also stems from the process of monitoring the bank's conditions, evaluating its operations, directing performance in the right direction, and contributing to sound decision-making. It is also important for the external environment, as a bank with high financial performance is better able to adapt to new environmental challenges and opportunities and can also take advantage of various investment opportunities (Taher *et al.*, 2007). The value of financial performance is not limited to the bank alone but also extends to the investor; an investor can monitor and understand a bank's operations, track its surrounding economic and financial conditions, and determine the impact of financial performance tools in terms of profitability, liquidity, operations, and other factors. Furthermore, the process of reviewing, evaluating, and interpreting financial statements enables the investor to make appropriate decisions based on the bank's circumstances (Mahmoud, 2010). Financial performance is reflected in the financial reports published by the bank. Bank reports can provide an overview of the amount of profit earned by the bank in a given period of time (Putra *et al.*, 2021). According to Irham (2012), financial performance is an analysis conducted to determine

the extent to which a bank adheres to the correct implementation of financial rules. According to Manawir (2010), a bank's financial performance is one of the foundations for assessing its financial position, which is conducted based on an analysis of the bank's financial ratios. Financial performance is a description of every economic outcome a bank can achieve over a specific period of time through its activities, with the goal of generating moral and material profits effectively and efficiently (Njoki *et al.*, 2023).

Financial Performance of Islamic Banks in Kingdom of Saudi Arabia

The financial performance of Islamic banks has become a subject of significant interest in recent years, particularly in Saudi Arabia, where the banking sector is a mix of both conventional and Islamic banks. Islamic banking operates under *Sharia* law principles, which prohibit interest-based transactions and encourage profit-sharing models, making its financial performance different from conventional banks. Islamic banks in Saudi Arabia have been instrumental in the country's financial system. The Kingdom has a robust Islamic banking infrastructure with banks such as Al Rajhi Bank, Saudi British Bank (SABB), and Bank Al Bilad, which offer a range of Sharia-compliant financial products. Islamic banks in Saudi Arabia operate under the supervision of the Saudi Arabian Monetary Authority (SAMA), which ensures that their operations adhere to the principles of Islamic law.

There is a significant body of literature that examines the financial performance of Saudi Islamic banks in general, some of these including Hacini *et al.* (2021), which examines how liquidity risk management affects the financial performance of selected conventional banks during the period from 2002 to 2019. The findings of the research indicate that liquidity risk and the loan-to-deposit ratio have a detrimental effect on the financial performance of these banks. This negative effect is attributed to the banks' reliance on external funding sources, such as borrowing from the money market or selling assets, to fulfill loan demands. Such strategies lead to high financing costs, which in turn reduce profitability. Additionally, the study found that the cash-to-deposit ratio also negatively impacts financial performance. Holding excessive cash above a certain threshold results in idle funds, causing opportunity costs and the accrual of deposit interest, which harms the bank's overall performance. A study by Hassan *et al.* (2018) examined the performance of Islamic banks in the Kingdom of Saudi Arabia for the period 2008–2016. The results showed that Al-Rajhi Bank was the most efficient bank, followed by Bank Al-Jazira, while Al-Inma and Al-Bilad are in third and fourth positions, respectively.

A study by Javaid & Alalawi (2018) examined all the internal and external determinants contributing to the profitability of 9 Islamic banks, including Al Rajhi, in the region of Saudi Arabia over a period of 2000 to 2013. Results indicate that bank characteristics, industry characteristics, and macroeconomic variables are significant in determining Islamic banks' profitability; the banking sector in Saudi Arabia is highly competitive. On the other hand, the positive and significant leverage ratio implies that the Saudi Islamic banks are relying heavily on debt financing, suggesting that Saudi Islamic banks are riskier in nature, though profitable to a certain extent, but these might be badly hit in times of recession in the economy. find that the banking sector in Saudi Arabia is highly competitive. The study further emphasizes optimal policies for bank management that help the policy makers, bank managers, and executives in improving the overall efficiency and maintaining the sound profitability of the Islamic banks in Saudi Arabia.

Al-Rajhi Bank is the world's largest Islamic bank and one of the leading and most progressive banks in Saudi Arabia (Al Rajhi Bank, 2024). Al Rajhi Bank's financial performance has been a topic of interest due to its significant role in the Islamic banking sector, its size, and its unique positioning as a major player in both domestic and regional financial markets. In general, there are many comparative studies between Alrajhi and other similar banks in the context of financial performance analysis; however, there are fewer analyzing studies that thoroughly address the financial performance of Alrajhi as a sole bank, such as (see: Haque, I., 2011; Hassan *et al.*, 2018; Javaid & Alalawi, 2018; Fernandez & Joseph, 2020; Almonifi & Gulzar, 2021; Alsharif, M., 2021; Rawashdeh, 2021; M. Selim *et al.*, 2022).What distinguishes this paper is that it analyzes the financial performance of Al Rajhi Bank, including financial ratios and a long period of time, such as 2008 to 2024. This is in contrast to previous studies that lacked comprehensive financial ratios and a long period of time, making it a valuable addition to the literature. This research seems to be one of the fewer studies that consider the effect of utilization ratio as one of the performance analysis factors. The evaluation of the bank's stability set as a factor of good financial performance, as well as recommendations for improvement in the context of liquidity and asset utilization, was suggested.

Dimensions of Financial Performance

Liquidity ratio

The bank's ability to maintain strong liquidity ratios has contributed significantly to its financial resilience and its ability to navigate both local and global economic challenges. Liquidity at a bank can be defined as a measure of its ability to readily find the cash it may need to meet demands upon it (Elliott, D.J. 2014). One of the most important challenges facing the Arab banking system, in particular, is liquidity management, which constitutes a major risk in banking operations. It has received significant attention from executive banking management. In modern financial intermediation theory, banks are considered part of the economy due to their role in providing liquidity and transferring risk (Azam, 2017). The objectives of bank liquidity management include meeting all cash outflow obligations on a regular basis (both on and off the balance sheet), avoiding obtaining funds at market prices or through involuntary asset sales, and complying with stipulated liquidity conditions and legal reserve requirements (Fari, 2020). Liquidity risk is measured by financial ratios based on banks' financial statements. The cash-to-total-assets ratio is used to measure a bank's liquid assets. A high ratio indicates unutilized cash balances, which reduces the bank's profitability. A low ratio below its standard levels exposes the bank to multiple risks and may enable it to cope with sudden withdrawals (Najla *et al.*, 2020).

Puspitasari & Muflih (2024) indicate that profitability in Islamic banking is currently less competitive compared to conventional banking, including in Indonesia and Saudi Arabia. Liquidity in Islamic banking in both countries does not significantly affect profitability. However, Mahmoud & Naffati's (2021) results clearly show that Saudi banks have an excess of liquidity and an increase in the capital adequacy ratio that sometimes exceeds international standards (Basel III), positively affecting the investment of funds and thus the profitability of banks. Similarly, Masruki et al. (2011) analyze and measure the performance of two Islamic banks in Malaysia (Bank Islam and Bank Muamalat) and then do a comparative analysis between these two banks and the conventional banks. When comparing the liquidity of Islamic banks to that of conventional banks, the study discovered that Islamic banks have greater liquidity, and conventional banks face higher credit risk because their liquidity ratio is much higher than Islamic banks'.

Yadav *et al.* (2024) used ratio analysis to determine ICICI Bank's operational efficiency, liquidity, solvency, and overall financial health over a specified period. Profitability ratios (return on assets, net profit margin), liquidity ratios (current ratio, quick ratio, cash ratio), efficiency ratios (asset turnover ratio, cost-to-income ratio), and solvency ratios (debt-to-equity ratio, debt ratio) were calculated and analyzed. The results revealed a significant improvement in liquidity from 2019 to 2021 but a significant decline by 2023, underscoring the importance of cash flow management in maintaining financial stability.

Bank Solvency Indicator

Scholars define solvency as a company's ability to meet both short-term and long-term debts, whether during regular operations or in liquidation (Munawir, 2018). A company is considered solvent if it possesses sufficient assets or wealth to cover all its debts. Conversely, if a company's assets are insufficient or less than its liabilities, it is deemed insolvent (Febrianto & Rahayu, 2015). A recent study by Puspitasari *et al.* (2024) aims to enhance the profitability of Islamic banking in Indonesia and Saudi Arabia during the period 2013–2022 by examining the role of solvency, liquidity, and company size as control variables based on stakeholder theory. The study found that solvency as a control variable has a significant impact on the profitability of Islamic commercial banks in Indonesia and Saudi Arabia. With proportional solvency, Islamic banks are better equipped to overcome low business performance and stabilize their operations against various external challenges.

Researchers define solvency as a firm's ability to repay its short- and long-term debts, whether during normal operations or in the event of liquidation (Manawir, 2019). A firm is considered financially solvent if it has sufficient assets or wealth to cover all of its debts. If a bank's assets are insufficient or less than its liabilities, it is considered financially insolvent (Fabrianto & Rahu, 2015). A recent study by Puspitasari et al. (2024) aimed to enhance the profitability of Islamic banks in Indonesia and Saudi Arabia during the period 2013-2022 by examining the role of solvency, liquidity, and firm size as moderating variables based on stakeholder theory. The study found that financial solvency, as a control variable, significantly affects the profitability of Islamic commercial banks in Indonesia and Saudi Arabia. Thanks to their relatively strong financial solvency, Islamic banks are in a better position to overcome weak business performance and stabilize their operations in the face of various external challenges.

Mahmoud and Nafati (2021) examined the relationship between efficiency, management risk, and profitability ratios in eight Saudi banks listed on the Saudi Capital Market Authority (CMA) over the period from 2005 to 2019. The solvency position of SABB and Samba complied with the international Basel III standard after 2015. However, the position of Al Rajhi Bank and Riyad Bank differs, as they fluctuate around the standard. During the last six years of the study, Riyad Bank achieved high solvency, unlike Al Rajhi Bank, which exhibited financial liabilities higher than its capital adequacy. In terms of solvency, Al Rajhi Bank had financial liabilities that appeared higher than its capital adequacy.

Non-Performing Loans

Non-performing loans (NPLs) are the result of failure to repay loan installments on due dates. Ari et al. (2021) and Ombaba (2013) indicated that a high NPL ratio negatively impacts a bank's net income as provisions are built for doubtful and bad debts. Jing (2020) found that when excessively high NPL ratios are not addressed, the economy tends to suffer. On the other hand, this study shows that when measures are taken to reduce the presence of NPLs, financial and economic

performance improves. Most studies have indicated that non-performing loans have a negative impact on profitability and financial stability in banks. Silvia et al. (2024), Mahmoud and Nifati (2021), Munanji and Sepedi (2020), and Ndoka and Islami (2016) reported an inverse relationship between non-performing loans and return on assets (ROA) and return on equity (ROE), which negatively impacts the income statement.

Anwar and Simatupang (2023), Munanji and Sepedi, Al-Shibemi et al. (2020), and Himena and Supriyanto (2014) found a weak inverse relationship between non-performing loans and profitability indicators, return on assets (ROA) and return on equity (ROE), in Saudi commercial banks.

This discrepancy in the results of previous studies underscores the need for impact studies specifically in analyzing the financial performance of banks over long periods, especially in large Islamic banks.

Profitability Ratios

Islamic banks offer their services in accordance with the principles of halal and haram, based on the provisions of Sharia, which prohibits interest (riba). Their operations focus on asset financing, which increases their ability to generate profits that strengthen their financial position by investing their retained earnings. Adam (2014) and Zawadi (2013) indicated that the analysis of the financial performance of commercial banks relies on the ROA and ROE ratios (Gilbert and Wheelock, 2007). Several previous studies have analyzed the financial performance of banks in terms of profitability ratios, including Gupta et al. (2024). They used a multidimensional approach to analyze and compare the financial performance of ICICI Bank and HDFC Bank, from the Indian banking sector, by analyzing profitability ratios using ROA and ROE. The results showed an improvement and increase in return on assets and return on equity. Permana et al. (2025) and Imatupang et al. (2024) found that the profitability ratio of Indonesian banks reduced credit risk and that net interest income (NIM) and operational efficiency determined profitability at the level of ROA or ROE. Siyari (2024) showed that digital services have a positive impact on ROA and ROE, pointing to the profitability of Saudi banks, including Al Rajhi Bank, as this is in line with the Saudi Vision 2030, which focuses on the digital banking industry. Hassan et al. (2018) reported that Al Rajhi Bank maintained its income during the 2008 global financial crisis, citing the risk-sharing Islamic banking system as a reason for this.

Although the existing literature provides good insights into analyzing banks' financial performance, it is limited to short periods, while this study aims to analyze longer periods.

Utilization Ratio

Efficiency measurement can be done by measuring how much the bank is able to use its resources (inputs) to produce optimal output. So a good bank is a bank that is able to manage all its inputs with good performance to produce optimal output (Badruzaman, 2020). Financial performance is a subjective measure of how well banks are utilizing their assets from their primary mode of business and generating revenue. This term is also used to measure the overall financial health of a firm over a certain period of time and is useful to compare similar firms in the same industry or in comparison to industries or sectors in aggregation. (Islam, M. Z. *et al.,* 2018). Gaddam *et al. (2009)* claimed that mere accumulation of deposits and credits did not lead to optimal financial performance; rather, asset utilization and operational efficiency were important.

The paper by Islam, M. Z., *et al.* (2018) provides empirical evidence that Bangladesh banks need to control the NPL ratio with proper credit assessment and recovery measures, mainly in state-owned commercial banks and specialized banks, as the asset utilization problem is acute in these

two categories of banks, resulting in a gradually declining ROA, even negative, especially in the last four years. Hence, banks need to be well furnished to face the challenge of asset utilization by focusing on controlling the NPL ratio urgently.

The study by Almazari (2011) attempted basically to measure the financial performance of seven Jordanian commercial banks for the period 2005-2009. The study found that there exists a positive correlation between financial performance and asset size, asset utilization, and operational efficiency, which was also confirmed with regression analysis that financial performance is greatly influenced by these independent factors.

Utilization ratio results by Mahmoud & Neffati (2021) showed that the profitability of eight Saudi banks, including Alrajhi Bank, is positively affected by capital utilization ratios (UZR). Furthermore, the stability noted when analyzing the capital utilization curve indicates their commitment to the central bank's monetary policies, which set the utilization rate between 85% and 90%. The funds utilization curve in the eight banks under study is divided into two periods. The first period, from 2005 to 2010, shows high fluctuations in the use of funds, from 30% to 130%. As for the second period, it showed relative stability in the utilization rate from 65% to 95% from 2011 to 2019. This stability indicates the commitment of Saudi banks to the central bank's monetary policies, which set the employment ratio between 85% and 90%. The recommended limit by the Saudi Central Bank for deploying funds is 90% of deposits, while the percentage for the banking sector increased to 80.5% in 2023 (Saudi Central Bank, 2024). From the analysis, it is observed that Alrajhi Bank's percentage in 2024 reached 110.4%, exceeding the recommended limit by the Saudi Central Bank.

METHODOLOGY

Data and Methods

Data Source

The financial data for this research paper were taken from Al Rajhi Bank's annual reports for the period from 2008 to 2024. These were analyzed using liquidity ratios, solvency ratios, non-performing loans, profitability ratios, and utilization ratios.

Estimation Methods and Model

Bank performance ratios refer to a set of financial indicators used to analyze Al Rajhi Bank's financial performance and compare achieved results with targets. This helps address any deviations that maintain the bank's stability (Abdul Halim, 2017). This is achieved using the following financial ratios:

Liquidity Ratio

This ratio assesses the bank's ability to meet its obligations, particularly when it comes to withdrawal requirements on deposits. A liquidity deficit may prevent the bank from meeting its obligations, while a liquidity surplus above the required levels may lead to missed opportunities to invest these funds in areas that generate specific returns (Abdel Halim, 2017). The following equation is used to indicate the liquidity ratio.

$$\text{Liquidity Ratio} = \frac{\text{Cash}}{\text{Deposits}} \times 100\% \qquad (1)$$

Bank Solvency Indicator

This indicator reflects the bank's ability to cover its deposit liabilities with its own equity capital. This indicator assesses the bank's financial strength and its ability to absorb potential losses without jeopardizing depositors' funds (Abdelhalim, 2017).

$$\text{Bank Solvency Indicator} = \frac{\text{Equity}}{\text{Deposits}} \times 100\% \qquad (2)$$

Non-Performing Loans Ratio

The non-performing loan ratio is expressed as a percentage of total credit extended by the entity. A high NPL ratio indicates that a financial institution is at a higher risk and may face financial difficulties. To compute the NPL ratio, divide the non-performing loan balance by the lender's total loan portfolio as follows (Singh *et al.*, 2021):

$$\text{NPL} = \frac{\text{NPL}}{\text{Loans}} \times 100\% \qquad (3)$$

Profitability Ratios

The ratios used here are return on equity, return on assets, and bank efficiency ratio. They are used to assess the bank's ability to generate profits by effectively utilizing its resources and providing services (Njoki *et al.*, 2023). Bank managers and system analysts typically measure bank profitability in terms of return on equity (ROE) and return on assets (ROA). A bank can be considered high-performance if it consistently exhibits indicators that are higher than the banking system's average over time. To achieve higher yields, a bank must take on above-average risk while also having a competitive advantage in terms of the products and services it provides (Irena & Constantina, 2021).

$$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{Equity}} \times 100\% \qquad (4)$$

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income}}{\text{Assets}} \times 100\% \qquad (5)$$

The increase in the first ratio reflects the bank's success in utilizing its own resources to achieve profits, whereas the increase in the second ratio reflects the bank's management efficiency in operating its assets to achieve profits. The bank efficiency ratio measures a bank's profitability. It is determined by dividing a bank's expenses by its revenues. This metric is important because it indicates how efficiently a bank manages its cost base, as well as the proportion of operating expenses incurred for every riyal of income generated. Banks aim to keep this metric as low as possible, and they frequently disclose a target rate in their financial statements, which is typically 50-60% (Deborah, 2021).

$$\text{Bank Efficiency Ratio} = \frac{\text{Expenses}}{\text{Revenues}} \times 100\% \qquad (6)$$

Utilization Ratio

This ratio calculates the percentage of funds allocated to different purposes. This indicator assesses the bank's ability to use funds received from deposits. Higher values for this ratio indicate the bank's ability to exploit its resources (Abdelhalim, 2017). Utilization ratio is calculated using the following formula.

$$\text{Utilization Ratio} = \frac{\text{Loans}}{\text{Deposits}} \times 100\% \qquad (7)$$

RESULTS AND DISCUSSION

Liquidity Ratio

The liquidity ratio shows a fluctuating trend over the analyzed period. The decrease in the liquidity ratio since 2016, particularly from 15.5% in 2016 to 8.5% in 2024, may indicate a potential liquidity risk. Although cash reserves are increasing, they are not keeping up with the exponential increase in deposits. A lower liquidity ratio indicates a reduced ability to meet sudden or large withdrawal requests, potentially increasing the bank's vulnerability to liquidity shocks. From Figure 1, it is observed that the liquidity ratio rose from 7.9% in 2021 to 8.5% in 2024, indicating that cash reserves grew slower than deposits in the most recent period. Generally, this decline could be cause for concern because it suggests that the bank is relying more heavily on other sources of liquidity, such as credit lines or liquid assets other than cash. While the bank's cash reserves have increased overall, its deposits have grown at a much faster rate, resulting in a gradual but steady decrease in the liquidity ratio. The bank may need to reassess its liquidity management strategies to ensure it can continue to meet its obligations, especially if deposit growth continues at this rapid pace.

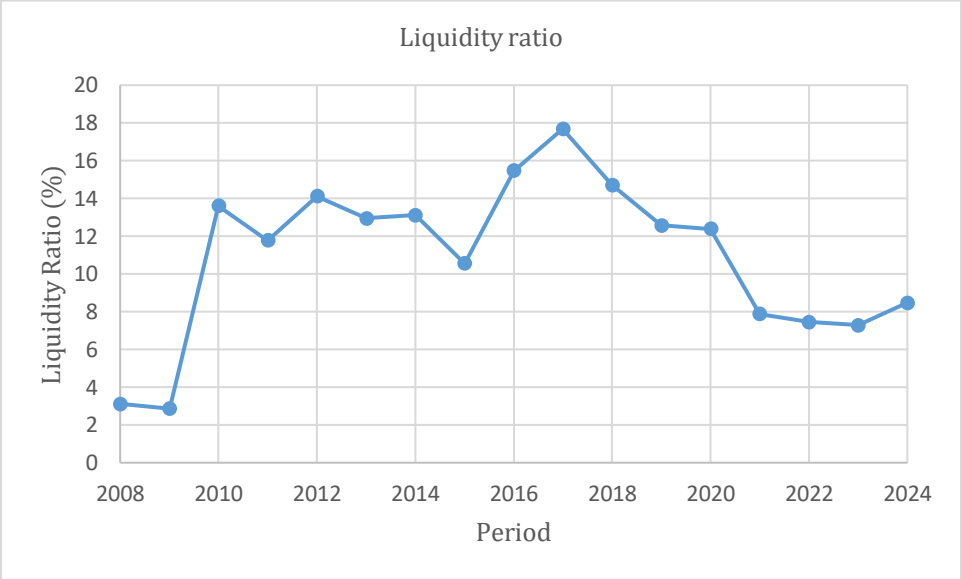

Figure 1. Liquidity Ratio in Alrajhi Bank from 2008 to 2024.
Source: Author's own

Bank Solvency Indicator

Figure 2 depicts a solvency indicator that decreased from 23.2% in 2008 to 13.1% in 2021. This indicates an increase in financial leverage, which may pose higher risks during financial crises. After the sharp decline to 13.1% in 2021, the solvency indicator begins to rise again, reaching 17.7% in 2022 and 19.6% in 2024. This indicates that the bank is making efforts to improve its solvency, as capital has significantly increased from 2008 to 2024, enabling the bank to absorb risks as deposits have also significantly increased during this period. This substantial increase in deposits is the main driver of the decline in the solvency indicator. Banks typically maintain a higher solvency indicator to protect themselves from unexpected losses. It is also worth noting that, in the majority of the years analyzed, the bank's solvency indicator exceeded the Basel III

Committee's requirement of 10.5%; this demonstrates the bank's ability to satisfy the needs of depositors and creditors.

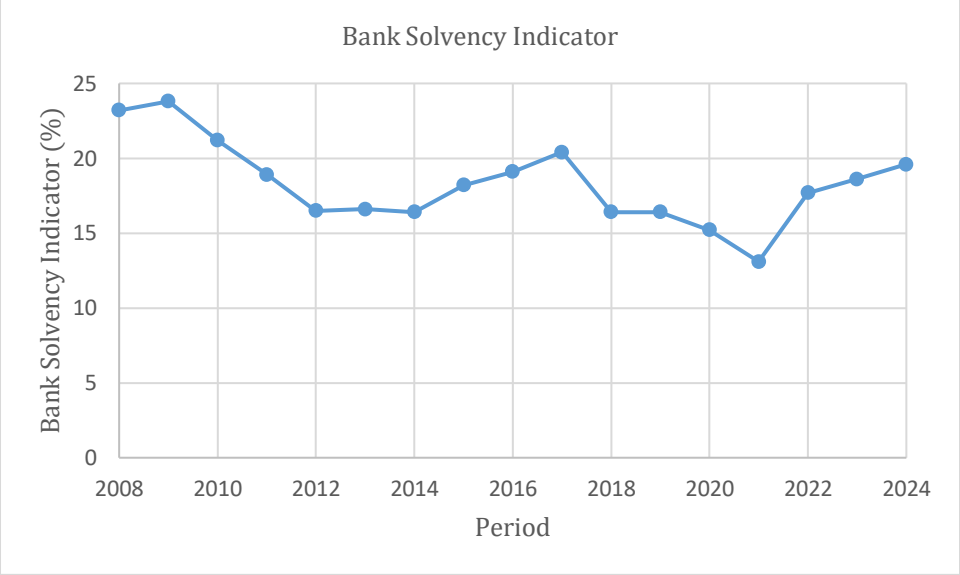

Figure 2. Bank Solvency Indicator in Alrajhi Bank from 2008 to 2024.
Source: Author's own

Non-Performing Loan Ratio

Initial non-performing loan ratios between 2008 and 2012 were generally low (less than 1%), indicating a relatively low risk of default compared to total loans disbursed. From 2016 onward, the non-performing loan ratio increased sharply, particularly in 2018, when it peaked at 2.82%. This may have been due to the COVID-19 pandemic, economic turmoil, or a general increase in loan defaults, which impacted borrowers' ability to repay. After 2019, the non-performing loan ratio began to decline again, reaching less than 1% in 2024, indicating improved management of non-performing loans, either through recovery efforts or write-offs.

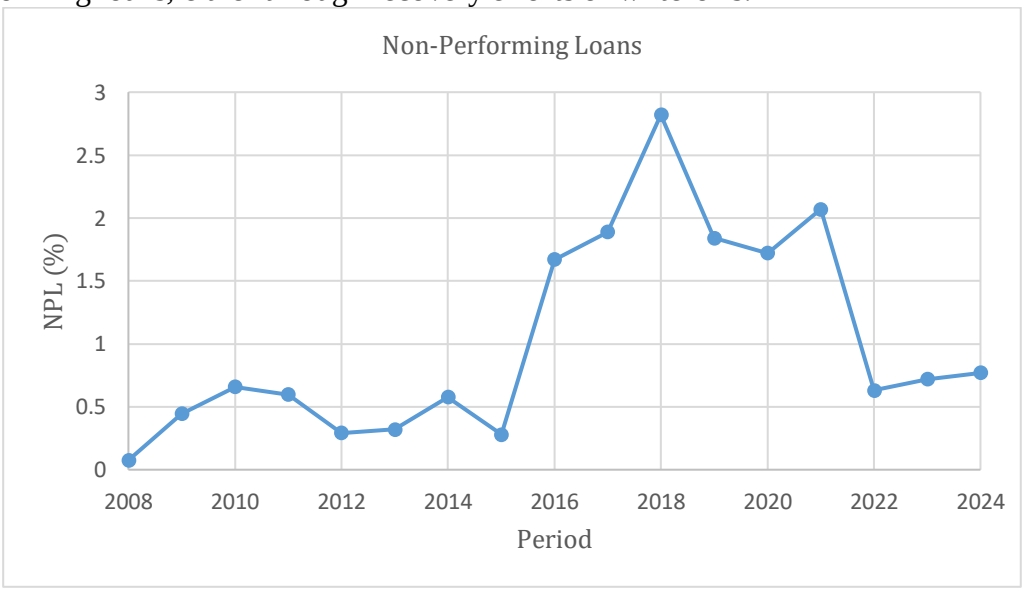

Figure 3. Non-Performing Ratio in Alrajhi Bank from 2008 to 2024.
Source: Author's own

Profitability Ratios

Return on Equity (ROE)

Figure 4 shows that the bank achieved returns on equity (ROE) that peaked at (24.14%) in 2008 and reached a low of (7.80%) in 2018. This high level indicates that the bank used its equity to generate high profits. ROE then declined rapidly, from (36.16%) in 2017 to (7.80%) in 2018. It then recovered again, reaching (19.84%) in 2019 and (21.91%) in 202 Figure 4 shows that the bank achieved returns on equity (ROE) that peaked at 24.14% in 2008 and reached a low of 7.80% in 2018. This high level indicates that the bank used its equity to generate high profits. ROE then declined rapidly, from 36.16% in 2017 to 7.80% in 2018. It then recovered again, reaching 19.84% in 2019 and 21.91% in 2021. It also declined in 2022 (17.11%) and 2024 (16.04%). Comparing the performance in 2019 and 2021, we find that the bank still faces challenges that prevent it from returning to returning to sustainable high performance.

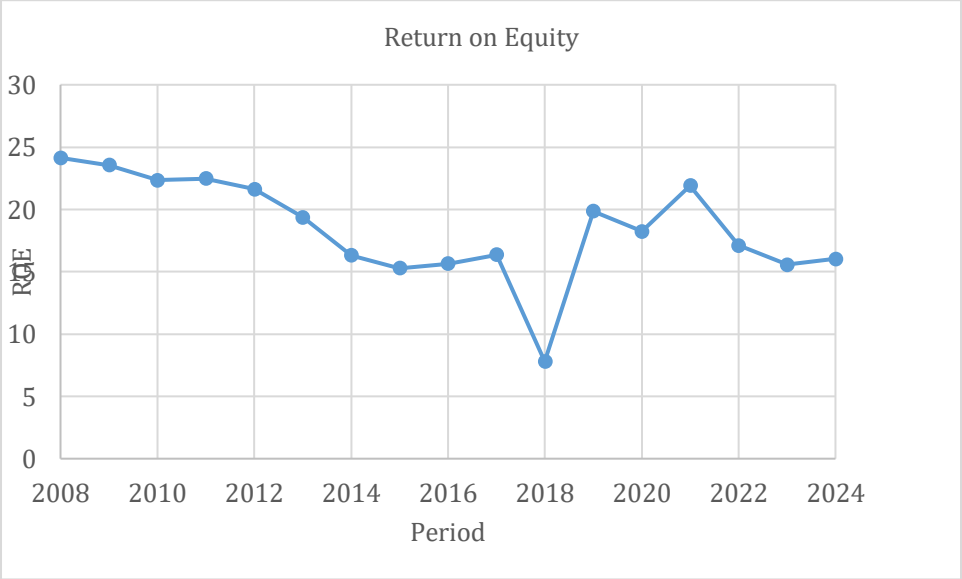

Figure 4. ROE in Alrajhi Bank from 2008 to 2024.
Source: Author's own

Return on Assets (ROA)

The ROA analysis shows a bank's ability to use its assets to generate profits.Since 2008, ROA has been relatively high at 3.99%, reaching 2.95% in 2012. 2008 was an exceptional year, indicating that the bank was using its assets effectively despite the economic turmoil of the global financial crisis. The years 2013 to 2018 show a continuous decline in ROA. In 2013, the decline began from 2.66% to 1.04% in 2018. Although there was a slight recovery in 2016 and 2017, with ROA rising again to 2.39% and 2.66%, it remains well below pre-2013 levels. Between 2019 and 2021, ROA declined from 2.64% in 2019 to 2.36% in 2021. The ROA values for 2019 and 2021 are relatively high, indicating that the bank is recovering from its 2018 lows and regaining its efficiency. By 2022, the recovery rate stabilized, with the ROA rate declining slightly to 2.25% and declining to 2.02% in 2024, indicating that the bank is seeking to return to efficiency.

Bank Efficiency Ratio

Figure 6 shows a steady increase in the BER ratio from 38.30 in 2008 to 49.98 in 2014. This indicates that the bank struggled during this period to rationalize expenses and increase revenues to achieve profitability. This shift after 2014 is attributed to a boom in efficiency, with the BER steadily declining each year. The COVID-19 pandemic likely had a significant impact in 2020, leading to higher operating costs in some areas. The period from 2021 to 2023 shows that the bank was able to control its expenses relative to revenue growth, allowing the bank's efficiency ratio to continue declining. By 2023, the ratio reached 32.70, and it quickly declined slightly to 46.31 in 2024, indicating that the bank is operating efficiently.

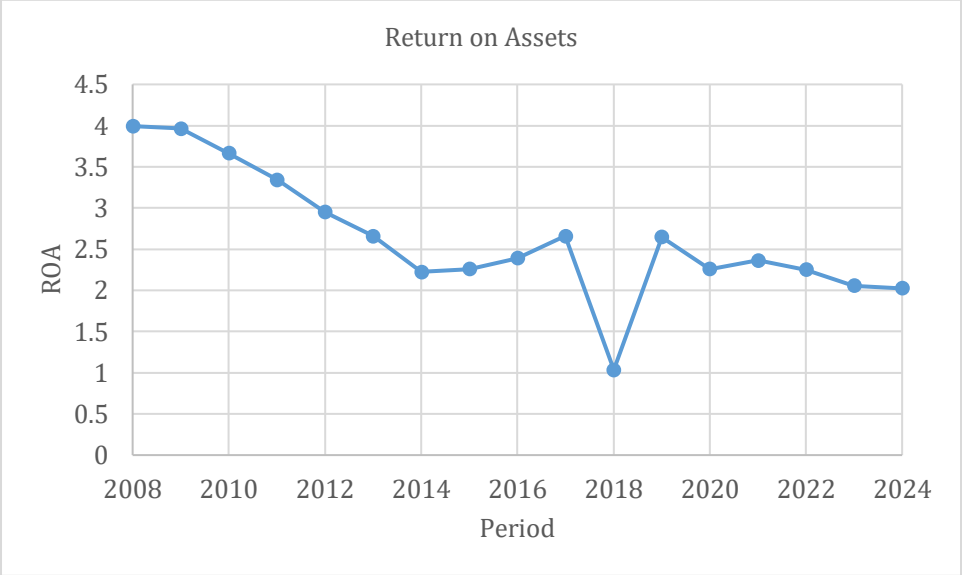

Figure 5. ROA in Alrajhi Bank from 2008 to 2024.
Source: Author's own

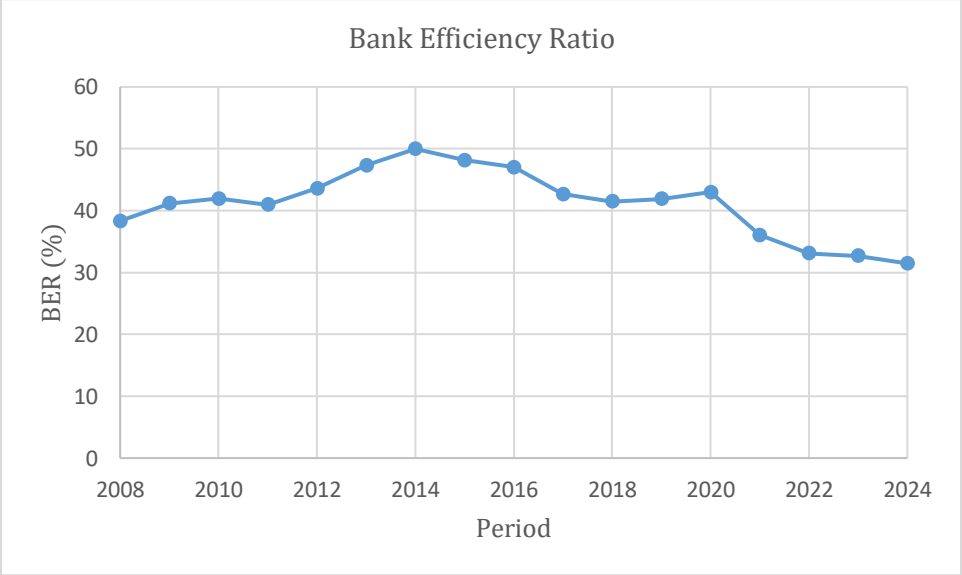

Figure 6. Bank Efficiency Ratio in Alrajhi Bank from 2008 to 2024.
Source: Author's own

Utilization Ratio

The utilization rate in 2008 was 120.5%. In 2009, it rose to 123.3%, the highest rate during the analysis period, and the lowest rate was in 2012, reaching 77.7%. In 2024, it reached 110.4%. This indicates that the bank is lending more than its deposits. This is considered a conservative utilization policy, meaning that the bank has excess liquidity or a high balance of retained earnings that enables it to utilize it. The utilization rate shows a shift from conservative lending from 2010 to 2014, indicating more aggressive lending practices after 2020. This shift toward aggressive lending, which exceeds the permitted utilization rate by more than 100%, increases the bank's exposure to liquidity and non-compliance risks, despite the profit-making opportunities. Accordingly, the bank must maintain liquidity management and comply with regulatory instructions to avoid the risks associated with lending in excess of deposits.

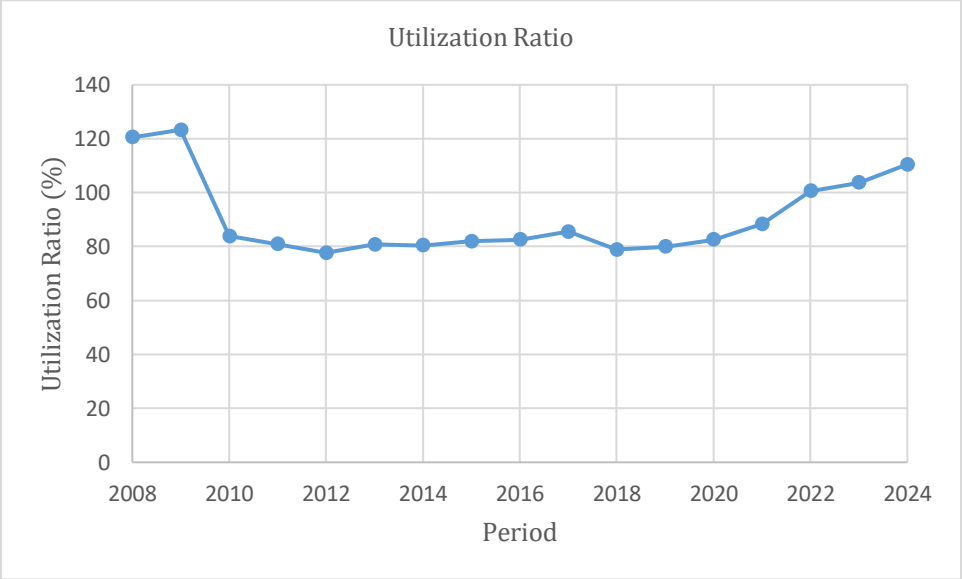

Figure 7. Utilization Ratio in Alrajhi Bank from 2008 to 2024.
Source: Author's own

CONCLUSION

This paper analyzed Al Rajhi Bank's financial performance over a 17-year period from 2008 to 2024 using financial ratios. Analyzing liquidity, solvency, non-performing loans, profitability, efficiency, and utilization ratios, the study presents a new approach to analyzing bank financial performance, characterized by its long-term nature and comprehensiveness of financial indicators that contribute to the bank's financial stability. This approach is achieved through the management of local and global financial crises through banking risk departments, which work to preserve strengths, limit deviations, and work to improve them. The results showed that the bank achieved high profitability and good asset management capabilities, as evidenced by the improved return on equity and return on assets. Furthermore, the percentage of non-performing loans decreased, thanks to effective monitoring mechanisms to ensure timely loan repayment, such as direct debits from accounts even if the balance is debited, as approved by the Saudi Central Bank. However, the liquidity ratio showed a downward trend, and the utilization ratio revealed an increase in lending beyond deposit levels after 2020 raising concerns about the bank's ability to meet large or sudden withdrawals. For regulatory authorities. Al Rajhi Bank's current approach to credit expansion using deposits and retained earnings exposes it to a liquidity crisis if it is not supported

by a similar growth in external funding sources. The bank can maintain a reduction in the volume of non-performing loans by following the instructions of the Saudi Central Bank and creating effective incentives for early repayment. Accordingly, the paper recommends the following:

- Strengthening the bank's financial position by attracting more investment and savings deposits to cope with the increase in lending volume.
- Reconsidering the lending policy in line with the directives of the Saudi Central Bank.
- Increased focus on developing mechanisms for monitoring and collecting non-performing loans.
- Real-time monitoring of resources and usage reports throughout business hours to make appropriate decisions.
- Encouraging researchers and those interested in scientific research to submit studies focused on analyzing the financial performance of financial institutions.

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Declaration of Competing Interest

Mutaz Mahmoud declare that he is the sole author of this paper. He also declares there is no competing financial interest or personal relationships that could have influenced the research work.

Ethical Statement

The author understands the Ethical Guidelines and have adhered to all the statements regarding ethics in publishing. He also confirms that this paper is original and has not been published in any other journal nor is under consideration by another publication.

During the preparation of this work the author declare that he used AI Technologies in order to improve the writing process, readability and language.

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