This article is authored by an executive advisor of #AlbertaAdvisory and is sponsored by #MadfoatCom.

An analysis of the Top-5 KSA Banks' asset performance over the past 5 years (2019 – 2024) reveals 3 interesting facts:

- The Assets Size grew at a CAGR of 15%.
- The Weighted Average Return On Asset (RoA) shrank at a CAGR of 4.2%.
- The Weighted Average Cost Of Assets (CoA) dropped by a CAGR of 10.3%.

While fluctuations (grey dots on the diagram) are persistent during the 5-year period, it's clear that KSA Banks are facing head winds in terms of monetizing their assets. The culprits are plenty including- tepid GDP growth (i.e. 1.3% in 2024), higher cost of funding, stringent capital adequacy requirements, dominance of relatively low-margin infrastructure and corporate lending deals, price sensitive clientele, rising FinTech competition and proliferation of alternative corporate funding venues (e.g. Bonds, Sukuk).

At the same time, the same banks have protected their profit margins by enhancing operational efficiency (i.e. reducing their CoA) as they embraced process automation, migration of business to digital channels and optimization of expensive ATM / Branch networks.

Do Saudi Banks' Chief Operating Officers (COOs), Chief Digital Officers (CDOs) and Chief Information Officers (CIOs) deserve the accolade of being the P&L defenders in harsh times?

Or alternatively,

Much of the operational efficiency enhancements were driven by mergers and acquisitions, supplier-negotiated discounts, head count optimization and infrastructure divestments?

Thanks.