

## **Saudi Arabia Retail Banking - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2020 - 2029**

Market Report | 2024-02-17 | 150 pages | Mordor Intelligence

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### **Report description:**

The Saudi Arabia Retail Banking Market is expected to register a CAGR of 6% during the forecast period(2024-2029).

Retail lending has been a high-growth segment in Saudi Arabia in recent years and a key driver behind the banking sector's growth. While it mitigated the impact of the COVID-19 pandemic on Saudi Arabian banks' financial profiles, risks are emerging. Many Saudi Arabian banks have historically ignored retail lending but have expanded significantly recently and are now the primary engine of credit growth. The fast growth in this segment is expected to continue, underpinned by strong credit demand and support from government authorities. Various factors support the high growth, including strong margins on retail products and the Saudi government placing homeownership at the center of its Vision 2030 strategic plans. This has led to vast programs of government subsidies that boost margins and guarantees for retail mortgages.

Returns on retail portfolios are underpinned by unusually low funding costs, with retail loans largely funded by retail non-interest-bearing deposits (NIBs). The absence of caps on retail loan pricing also contributes to high margins. Therefore, banks with more retail lending have profitability metrics registering at the higher end. Saudi banks have been actively chasing retail lending, adjusting their strategies, and increasing their appetite for this segment.

The impact of the COVID-19 pandemic on Saudi Arabian banks was contained. At the same time, pressures on the operating environment eased, and economic activity gradually recovered, supported by higher oil prices.

Saudi Arabia Retail Banking Market Trends

Increase in Saudi Retail Mortgage Loans Driving the Market

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The availability of mortgage loans has facilitated increased homeownership among Saudis. This has led to a higher demand for housing and, consequently, an expansion in the real estate sector. The growth in mortgage loans has stimulated economic activity, benefiting various industries associated with the housing market, such as construction, home furnishing, and interior design. The expansion of retail mortgage loans has promoted financial inclusion by enabling individuals who were previously unable to purchase a home to enter the housing market. This has allowed a broader section of the population to access banking services and build assets, contributing to overall economic stability and growth.

The rise in retail mortgage loans has provided a new avenue of growth for banks operating in Saudi Arabia. Banks have experienced an increase in their loan portfolios, resulting in higher interest income. This has positively impacted their profitability and allowed them to diversify their lending activities beyond traditional corporate and commercial lending. The increasing demand for mortgage loans has led to the development of innovative mortgage products tailored to the needs of Saudi consumers. Banks have introduced various financing options, such as adjustable-rate mortgages, fixed-rate mortgages, and Islamic financing alternatives compliant with Shariah principles. This product diversification has attracted more customers and enhanced competition within the retail banking sector.

### Rising Digitalization in Saudi Arabian Banking Sector is Driving the Market

The move towards digitalization was most evident in the granting of licenses to the two first fully digital banks in Saudi Arabia in the previous year. The move included Saudi Telecom's STC Pay being renamed STC Bank with a capital of SAR 2.5 billion (USD 0.67 billion) and Saudi Digital Bank (SDB) gaining a capital of SAR 1.5 billion (USD 0.4 billion). These new licenses embody the country's desire to become a financial hub and increase the efficiency and penetration of its banking system. The impact of these digital banks is hard to gauge, but it is safe to assume that they will be appealing to the underbanked areas of Saudi Arabia, where established banks have few or no branches. With bank penetration at 72% but internet penetration forecast to reach 97% in 2025, digital banks have a clear target audience. Their sector-wide significance will likely come from spurring innovation among the country's older banks and ensuring Saudi Arabian society is at the forefront of advancements within the (digital) financial system. STC Pay and SDB will fall under the same regulatory framework as other Saudi Arabian banks.

### Saudi Arabia Retail Banking Industry Overview

Saudi Arabia's retail banking market is consolidated. The report covers major international players operating in the Saudi Arabian retail banking market. In terms of market share, a few major players currently dominate the market. However, with technological advancements and product innovation, mid-size to smaller companies are increasing their market presence by securing new contracts and tapping new markets. Companies including Al Rajhi Bank, Saudi National Bank, National Commercial Bank, Alinma Bank, Saudi British Bank, and others have been profiled in the report.

#### Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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