



The Role of Banking Governance Tools in Enhancing the Financial Performance of Commercial Banks: A Case Study of Al Rajhi Bank

Zohra SI AHMED ^{*1}, Hadj kouider GOURINE ²

¹ tiaret University (Algeria) Algerian Economic Enterprise Development Laboratory, ahmedzohra.si@univ-tiaret.dz

² Chlef University (Algeria) , DECOPILS Laboratory, h.gourine@univ-chlef.dz

Received (date) : 15/08/2025

Accepted (date): 07/11/2025

Published (date) :24/01/2026

Abstract:

This study examines the role of banking governance tools in enhancing the financial performance of commercial banks, with a particular focus on Al Rajhi Bank as a practical case study. The study aims to assess the impact of effective governance practices on key financial indicators such as profitability, efficiency, and sustainability. It concludes that the successful implementation of governance mechanisms—such as active boards of directors, risk management committees, and transparent reporting—significantly contributes to improving financial performance indicators, including return on assets (ROA) and return on equity (ROE). Effective governance also strengthens trust among customers and investors, contributing to a stable deposit base and enhancing the bank's competitive position. The findings indicate that robust governance frameworks are essential for mitigating risks and ensuring long-term financial sustainability in the banking sector. Overall, Al Rajhi Bank serves as a prominent example of how strong governance practices can lead to superior financial outcomes, making it a model for other banks in the industry.

Key words: Banking Governance, Financial Performance, Commercial Banks, Al Rajhi Bank.

Jel Classification Codes : G21 , G30, G32, G34 , M14.

Introduction:

Corporate banking governance is one of the fundamental pillars for ensuring the stability of banks and enhancing their operational efficiency. It relies on a set of principles and mechanisms that regulate the relationship between shareholders, management, and stakeholders, with the aim of achieving transparency and accountability. Banking governance tools gain particular importance in light of the economic challenges and financial risks facing the banking sector, as they contribute to improving decision-making quality and strengthening the trust of investors and customers. In this context, Al Rajhi Bank represents a distinguished model of commercial banks that have adopted effective governance practices, which have been reflected in its financial performance and sustainability. This research seeks to analyze the role of banking governance tools applied at Al Rajhi Bank and measure their impact on its financial performance indicators, while drawing lessons that can benefit other banks. The expected outcome is to confirm that the effective adoption of governance tools contributes to enhancing financial efficiency, strengthening competitiveness, and supporting sustainable growth in the banking sector.

- **Research problem :** The problem of this research lies in questioning the effectiveness of banking governance tools in improving the financial performance of commercial banks and the extent to which the application of these tools is reflected in sustaining profitability and enhancing competitiveness, through a case study of Al Rajhi Bank as an applied model.

- **Study hypothesis :** The effective application of banking governance tools positively contributes to improving the financial performance of commercial banks, as in the case of Al Rajhi Bank.

- **Research Importance:** The importance of this research stems from the vital role that banking governance tools play in enhancing transparency and accountability within commercial banks, thereby contributing to improving financial performance and ensuring sustainability. The research

* Zohra SI AHMED

also derives its significance from focusing on Al Rajhi Bank as an applied model, being one of the leading Islamic banks in adopting effective governance practices. It helps bridge a knowledge gap regarding the relationship between banking governance and financial indicators in banks. In addition, it provides practical recommendations that other banking institutions can benefit from both locally and internationally.

- Research objective : This research aims to analyze the role of banking governance tools in enhancing the financial performance of commercial banks, focusing on Al Rajhi Bank as a case study. It seeks to determine the extent to which these tools contribute to improving efficiency, profitability, and financial sustainability indicators. The study also aims to evaluate the effectiveness of governance practices applied in the bank compared to international standards. In addition, it seeks to provide practical recommendations that can help other banks improve their financial performance through the adoption of effective governance mechanisms.

- Methodology of the Study: The deductive approach was adopted in the theoretical aspect of the study, focusing on exploring the theoretical variables related to the research topic and highlighting the role of banking governance in enhancing the financial performance of commercial banks. In the practical aspect, the inductive approach was utilized to study and analyze the results derived from the research.

- Previous studies

a- Naif AlSagr, Samir Belkhaoui, Abdullah Aldosari , (2018), « The Effect of Corporate Governance Mechanisms on Bank Performance Evidence from Saudi Banking Sector », Asian Economic and Financial Review : The researchers conducted a quantitative study based on panel data regression analysis for the period 2011–2016, covering a sample of nine Saudi banks. The study aimed to examine the impact of banking governance mechanisms—such as board independence, ownership by major shareholders, audit committee size, and others—on financial performance, measured by return on assets (ROA) and return on equity (ROE). The findings revealed that board independence and the ownership of the three largest shareholders had a negative and significant effect on both ROA and ROE, while the ownership of the largest shareholder and the size of the audit committee showed a positive and significant effect on ROE only.

b- Berrani Mokhtaria, Hacini Ishaq (2019), « The role of corporate governance in improving the banks Financial Performance empirical evidence from listed banks in the Saudi market “ ; Journal of Economic Integration » : This study adopted a quantitative approach using a panel data model for the period from 2008 to 2019, covering a sample of ten banks listed on the Saudi Stock Exchange. The study aimed to analyze the relationship between certain dimensions of governance—such as board size, board composition, number of board meetings, as well as the audit committee and its meeting frequency—and the financial performance of banks. The results showed that these dimensions have a significant impact on financial performance, highlighting the importance of adopting effective governance practices to improve financial efficiency in the Saudi banking sector.

c- Charchafa Ilyes . Kimouche Bilal , (2024), « Governance Practices And Their Effect On Bank Performance: A Study Of Saudi Arabian Banking Sector » : This study was conducted on a sample of 12 Saudi banks listed on the stock exchange during the period from 2013 to 2019, using the multivariate regression method. The study aimed to explore the impact of governance characteristics—such as board size, the proportion of independent directors, the duality of the chairman and CEO roles, and audit committee characteristics (its size and number of meetings)—on profitability measured by ROA and ROE. The results indicated that a larger board size is strongly and positively associated with both ROA and ROE, while the other characteristics showed no significant effect on financial performance, which contradicts some traditional theoretical propositions in this field.

I-The conceptual framework of Governance in Banks

The conceptual framework of governance in banks addresses a set of principles and standards aimed at enhancing transparency and accountability, thereby improving the performance of financial institutions. It also highlights the various dimensions of governance, including organizational structure, internal policies, and the relationship between the bank, shareholders, and customers.

1- The concept of banking governance:

- **The Bank for International Settlements (BIS)** defines bank governance as "the methods by which the bank is managed through the Board of Directors and senior management, which determine how the bank's objectives, operations, and the protection of shareholders' and stakeholders' interests are set. (BIS, 2025)"

- **The Basel Committee on Banking Supervision (1999)** issued the document "Sound Practices for Corporate Governance," which emphasizes the need to establish clear strategic objectives, reinforce clear lines of responsibility and accountability, and ensure transparency and integrity in bank management. (Basel CBS, 1999)

- **The World Bank defines bank governance "** consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored, and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them " (WBG, 2023).

- **The International Finance Corporation (IFC)**, a branch of the International Monetary Fund, defines governance as a system through which companies are managed and controlled according to a defined legal framework. Corporate governance helps companies operate more efficiently, improve access to capital, mitigate risk, and safeguard against mismanagement. It makes companies more accountable and transparent to investors and gives them the tools to respond to stakeholder concerns (IFC, 2018).

In general, these definitions stress that bank governance includes a set of principles and procedures that ensure transparency, accountability, responsibility, fairness, and effective management to protect multiple interests such as depositors, shareholders, and regulatory bodies. It requires a clear organizational structure with internal controls and adequate financial disclosure.

2- The Importance of Bank Governance :

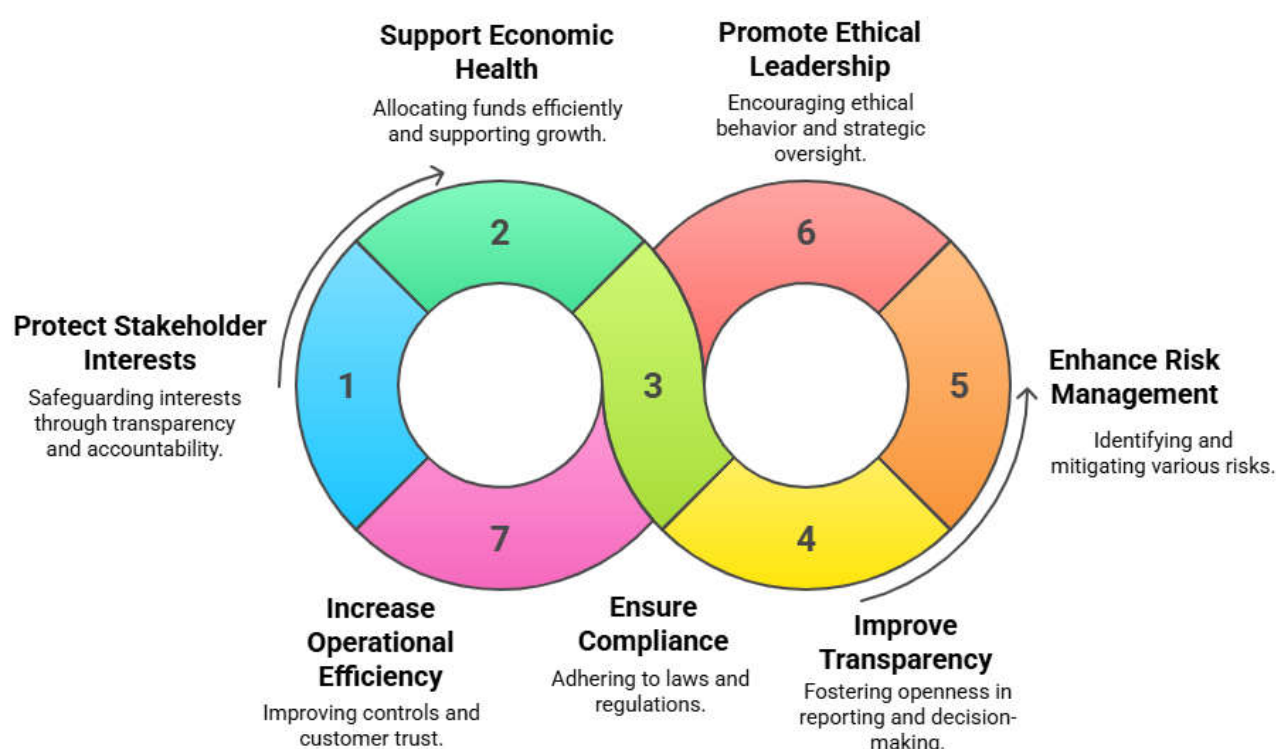
Bank governance is critically important for several key reasons:

Key Aspect	Description
Ensuring Financial Stability	Good governance in banks helps maintain the soundness and stability of financial institutions. It improves risk management by enabling boards and management to better detect, control, and manage risks, which is essential to avoid banking crises and preserve trust in the financial system.
Protecting Stakeholders' Interests	Effective governance safeguards the interests of depositors, shareholders, creditors, employees, and regulators by promoting transparency, accountability, and responsible decision-making.
Supporting Economic Health	Banks play a vital role in the economy by allocating funds efficiently, disciplining firms' financial behavior, and supporting capital formation and productivity growth. Strong governance enhances banks' efficiency in credit allocation and helps lower capital costs for firms.
Compliance and Regulatory Adherence	Governance frameworks ensure that banks comply with laws, regulations, and industry best practices, maintaining order and stability within the highly regulated banking sector.

Improving Transparency and Accountability	By fostering openness in reporting and decision-making, governance frameworks enable investors, regulators, and the public to make better-informed assessments of a bank's performance and risk exposure.
Enhancing Risk Management	Effective governance structures are essential for identifying, evaluating, and mitigating a wide range of risks, including credit, market, liquidity, operational, and technological risks, thus reducing the likelihood of losses and systemic impacts.
Promoting Ethical Leadership and Strategic Direction	Good governance clarifies the roles and responsibilities of senior management and boards, encouraging ethical behavior, sound leadership, and strategic oversight to ensure long-term sustainability.
Increasing Operational Efficiency and Customer Trust	Through improved controls, data governance, and clear policies, banks can operate more efficiently, protect customer data, and deliver better services, thereby enhancing customer satisfaction and loyalty.
Risk Management	Risk management is a fundamental aspect of bank governance, crucial for maintaining financial system stability and protecting stakeholder interests. Effective governance establishes strong risk management frameworks that oversee, identify, evaluate, and mitigate various types of risks, including credit, market, liquidity, operational, and technological risks.

Source : (Bensilette, 2024), (FMI, 2014) , (Nasareldeen & and others, 2024)

Figure 1 : The Importance of Bank Governance



Source : Prepared by researchers

bank governance is foundational to the stability, efficiency, and credibility of banks, making it a cornerstone for sustainable economic growth and financial system integrity. Its importance spans microprudential (individual bank soundness) and macroprudential (system-wide financial stability) perspectives, benefiting not only financial institutions but the broader economy and society.

3-Banking Governance Mechanisms :

Bank governance mechanisms encompass the set of systems, structures, and processes through which banks are directed, controlled, and held accountable to achieve strategic objectives, ensure transparency, manage risks, and safeguard the interests of stakeholders, These mechanisms can be summarized as follows:

Internal Governance Mechanisms	1-Board of Directors: The central governing authority tasked with defining the bank's strategic direction, monitoring management performance, and protecting the rights of shareholders and stakeholders. Boards typically comprise executive, non-executive, and independent directors to ensure balanced decision-making and oversight. 2-Ownership Structure: Refers to the distribution of equity among various shareholders, including large blockholders, institutional investors, and government entities, each influencing control dynamics and monitoring effectiveness. 3-Management Oversight: Senior management is responsible for executing board-approved strategies and ensuring efficient day-to-day operations. 4-Audit Committees and Internal Controls: Dedicated committees and control systems that uphold the integrity of financial reporting, ensure regulatory compliance, and strengthen risk management. 5-Compensation and Incentive Systems: Designed to align the interests of management with those of shareholders while promoting long-term financial health.
External Governance Mechanisms	1-Regulatory Framework: Includes prudential regulations, supervisory oversight, and governance codes (e.g., Basel principles) aimed at promoting safety, soundness, and compliance within the banking sector. 2-Market Discipline: Mechanisms such as shareholder activism, assessments by credit rating agencies, and scrutiny from external auditors that encourage transparency and accountability. 3-Takeover Threats: The potential for mergers or acquisitions serves as a disciplinary tool for underperforming management teams. 4-Legal and Judicial Systems: Laws and enforcement mechanisms that protect investor rights and ensure contract enforcement. 5-Competition: A competitive banking landscape incentivizes institutions to maintain efficient, transparent, and responsible governance practices.
Special Governance Considerations for Banks	Given their systemic importance and role as primary liquidity providers, banks require tailored governance frameworks. Regulations often stipulate specific governance arrangements, including: 1-Banks require particular governance due to their role as liquidity creators and the systemic importance of their stability. 2-Regulatory frameworks often mandate certain governance features such as separation of CEO and board chair roles, minimum proportions of independent directors, and risk committees. 3-Boards must focus on risk oversight, including credit, market, operational, and liquidity risks, given banks' inherent leverage and exposure. 4-Transparency and disclosure obligations are heightened to protect depositors, regulators, and market confidence Boards must emphasize robust risk oversight—covering credit, market, operational, and liquidity risks—due to banks' high leverage and exposure levels. Furthermore, transparency and disclosure obligations are more stringent to safeguard depositor confidence, regulatory trust, and market stability.
Digital Tools in Banking Governance	Integration of advanced digital technologies such as Core Banking Systems, AI-driven Analytics, Blockchain-based Transaction Platforms, Cloud Computing Infrastructure, and Digital Customer Interfaces (online & mobile banking). These tools improve governance by enabling real-time data analysis for better decision-making, enhancing cybersecurity and transaction transparency, automating compliance reporting to meet regulatory standards, strengthening internal controls through predictive risk detection, and increasing service accessibility, thereby fostering stakeholder trust and operational resilience.

Source : (Bernadette & Corina , 2015) , (Armour, 2016) , (Basuony, 2014) , (ALI K & others, 2022)

Bank governance mechanisms are multidimensional, combining internal structures such as boards, ownership patterns, and internal controls, with external forces like regulatory oversight, market discipline, and legal enforcement. These mechanisms are specifically adapted to address the unique risks and stakeholder demands in the banking sector, fostering accountability, transparency, and prudent risk management, thereby ensuring both institutional stability and broader financial system integrity.

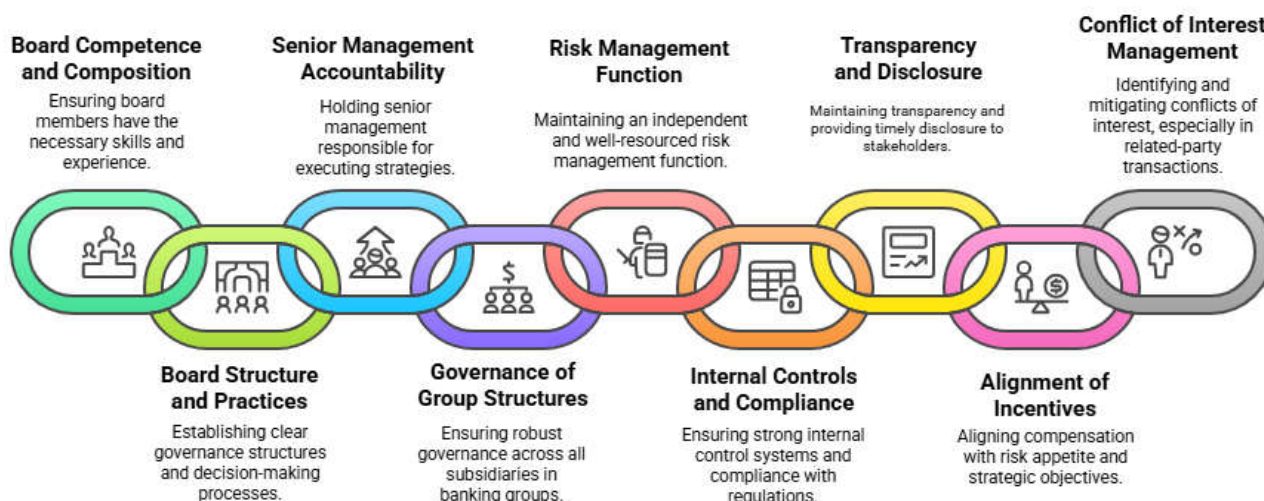
4- Principles of Banking Governance

Principles of Banking Governance provide a framework of rules, responsibilities, and practices that ensure banks operate with integrity, transparency, and accountability. They aim to safeguard stakeholders' interests, maintain financial stability, and promote sustainable growth. The following are the most important basic principles of bank governance :

Principle	Description	Key Practices	Importance
Board Responsibility and Oversight	The board of directors holds ultimate responsibility for the bank's performance, approving strategy, governance frameworks, and corporate culture, while overseeing management execution.	- Approving strategic plans. - Reviewing governance policies. - Setting the tone for ethical conduct.	Ensures strategic alignment, accountability, and sustainable long-term performance.
Board Competence and Composition	Board members must be qualified individually and collectively, possessing the skills, knowledge, and experience to perform their governance and oversight duties effectively.	- Appointing directors with financial, risk, and regulatory expertise. - Ongoing training programs for directors.	Enhances decision-making quality and effective oversight.
Board Structure and Practices	The board should adopt clear governance structures, meeting procedures, and decision-making processes, and periodically evaluate their effectiveness.	- Establishing committees (audit, risk, remuneration). - Regular self-assessments of board performance.	Improves efficiency, clarity in roles, and accountability.
Senior Management Accountability	Senior management, under the board's supervision, is responsible for executing approved strategies, policies, and risk appetite.	- Implementing board directives. - Providing transparent reports to the board. - Ensuring operations comply with approved plans.	Guarantees operational execution aligns with strategic goals and regulatory compliance.
Governance of Group Structures	In banking groups, the parent board must ensure a robust governance framework that covers all subsidiaries, understanding group-wide risks.	- Clear reporting lines from subsidiaries. - Group-wide risk and compliance policies. - Consolidated audits.	Reduces risk of governance gaps in complex organizational structures.
Risk Management Function	Banks must maintain an independent, well-resourced risk management function with direct access to the board.	- Chief Risk Officer (CRO) reporting directly to the board. - Independent risk assessments. - Stress testing and scenario analysis.	Protects the bank against excessive or poorly managed risks.
Internal Controls and Compliance	The board must ensure strong internal control systems and compliance with laws, regulations, and internal policies.	- Internal audit function. - Compliance monitoring programs. - Regular policy reviews.	Minimizes legal, regulatory, and reputational risks.
Transparency and Disclosure	Banks should maintain transparency in operations and provide comprehensive, timely disclosure to stakeholders.	- Publishing annual reports. - Regulatory disclosures. - Public updates on key policies and performance.	Builds trust with regulators, investors, and the public.
Alignment of Incentives	Compensation and reward systems should align with the bank's risk appetite and long-term strategic objectives.	- Deferred bonuses. - Performance metrics linked to long-term results. - Clawback clauses.	Encourages responsible risk-taking and sustainable growth.
Conflict of Interest Management	Policies must be in place to identify, monitor, and mitigate conflicts of interest, especially in related-party transactions.	- Disclosure requirements. - Independent review of related-party dealings. - Clear segregation of duties.	Protects integrity of decision-making and maintains stakeholder confidence.

Source : (Bensilette, 2024), (BIS, 2023) , (Murya , 2023) , (BIS, 2015)

Figure 2 : Principles of Banking Governance



Source : Prepared by researchers

These principles aim to promote:

- Effective oversight and accountability in bank management.
- Strong risk governance and culture.
- Protection of stakeholders' interests including depositors, shareholders, and regulators.
- Sound decision-making processes to ensure bank safety and financial stability.

These guidelines are adaptable depending on the size, complexity, and risk profile of the bank but form the foundation for good corporate governance in banking globally.

II-: Bank financial performance (concept, importance and mechanisms)

Bank financial performance is a key indicator of a bank's efficiency and competitiveness, reflecting the quality of its resource management and achievement of strategic objectives. Its importance lies in its vital role in enhancing financial stability, supporting economic growth, and ensuring the confidence of depositors and investors through continuous evaluation and improvement mechanisms.

1- The concept of banking financial performance

-International Accounting Standards Board (IASB) via IFRS 9: IFRS 9 is an international accounting standard focusing on classification and measurement of financial instruments, with an emphasis on forward-looking expected credit loss models. It aims to provide an accurate reflection of a bank's financial health and risk exposure, ensuring transparency and consistency in financial reporting worldwide (ECB, 2024).

- Basel Committee on Banking Supervision (BCBS): The BCBS sets broad supervisory standards and best practice guidelines for banking supervision, including capital adequacy and risk management. Their framework supports evaluating banks' financial performance through metrics ensuring capital quality, risk management, and operational soundness to promote financial system stability (Basel Committee, 2021).

- International Monetary Fund (IMF) and World Bank Financial Sector Assessment Program (FSAP): FSAP assesses financial sector vulnerabilities and identifies development priorities, including evaluating financial performance standards and the implementation of good governance practices in banks (IFM, 2024)& (WBG, 2021).

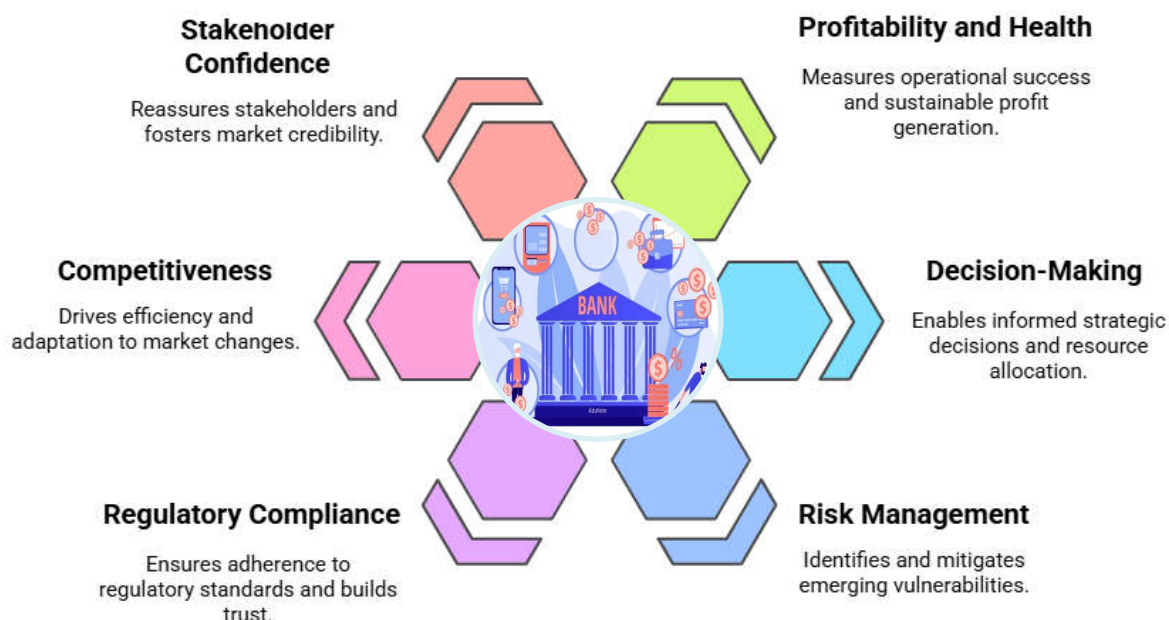
- Financial Stability Board (FSB) Compendium of Standards: The FSB compendium lists economic and financial standards accepted internationally for banking supervision, corporate

governance, accounting, auditing, and transparency—all critical to assessing and maintaining banks' financial performance and stability (FSB, 2024).

- **Local Regulatory Bodies:** Many local regulatory authorities adopt and enforce the Basel Committee's capital and supervisory standards, IFRS accounting principles, and local financial reporting requirements adapted to their jurisdiction to assess banks' performance effectively.

2-The importance of financial performance in banks

Figure 3 : The importance of financial performance in banks



Source : Prepared by researchers

The importance of financial performance in banks can be summarized as follows:

Key Aspect	Detailed Description
Foundation for Economic Stability and Growth	A strong and financially sound banking sector is a cornerstone for sustainable economic development. Well-performing banks contribute to the stability of the financial system by ensuring liquidity flows, facilitating capital formation, and financing productive investments. This stability directly supports long-term economic growth, reduces the likelihood of financial crises, and enhances resilience to global market shocks.
Measure of Profitability and Health	Financial performance acts as a diagnostic tool to assess a bank's operational success and its ability to generate sustainable profits from its primary banking activities. Profitability ratios such as ROA, ROE, and net interest margin provide a clear picture of efficiency, managerial effectiveness, and competitive positioning within the banking sector.
Decision-Making and Resource Allocation	Financial performance data enables bank executives, regulators, policymakers, and investors to make informed strategic decisions. This includes allocating resources to high-return projects, adjusting lending policies, expanding into new markets, and implementing operational improvements. Strong performance data reduces uncertainty and improves the quality of decisions across the banking value chain.
Risk Management Indicator	Tracking financial performance helps identify emerging vulnerabilities in areas such as credit, liquidity, interest rate exposure, and operational efficiency. Deteriorating performance metrics can serve as early warning signals, enabling proactive measures to prevent potential crises and mitigate systemic risks that could destabilize the wider economy.
Regulatory Compliance and Confidence	High-performing banks are better positioned to meet stringent regulatory requirements related to capital adequacy, liquidity ratios, and risk controls (e.g., Basel III standards). Consistent compliance enhances the trust of depositors, investors, and regulators, fostering a stable operating environment and strengthening the bank's reputation.
Competitiveness and Efficiency	Regular evaluation of financial performance drives operational efficiency by identifying cost inefficiencies, improving asset utilization, and optimizing loan and

	deposit structures. This competitive edge enables banks to adapt to market changes, maintain profitability under pressure, and sustain long-term growth.
Stakeholder Confidence	Strong financial performance reassures stakeholders—such as depositors, creditors, and shareholders—of the bank’s ability to honor commitments, protect their interests, and deliver long-term value. It also fosters market credibility, attracting new customers and investors while retaining existing ones.

Source : (Alexandru , 2014) , (Osama & Gerinda , 2022) , (Eric , vusa , & Jared , 2016) (Wondmagegn, Habtamu , & Mekonnen , 2021)

Financial performance is not merely an accounting measure; it is a comprehensive indicator that reflects operational strength, risk resilience, and growth capacity. It serves as a vital safeguard for both the bank’s institutional integrity and the broader economic system, ensuring that financial intermediation continues effectively and responsibly.

3- Key Aspects of Banking Financial Performance

Banking financial performance encompasses a wide range of indicators that together explain the bank’s profitability, operational efficiency, risk exposure, liquidity, and capital adequacy. Monitoring these aspects enables banks and stakeholders to evaluate the bank's financial health, stability, and long-term sustainability. Strong financial performance is essential for supporting growth, meeting regulatory requirements, maintaining stakeholder confidence, and ensuring the overall stability of the banking system. The most important of these indicators are:

Indicator Name	Equation	Interpretation
Profitability Indicators		
Return on Assets (ROA)	$ROA = \text{Net Income} \div \text{Total Assets}$	Higher ROA means better efficiency in utilizing assets to generate profits.
Return on Equity (ROE)	$ROE = \text{Net Income} \div \text{Shareholders' Equity}$	Higher ROE indicates more effective use of shareholders’ capital to generate profits.
Net Interest Margin (NIM)	$NIM = (\text{Interest Income} - \text{Interest Expense}) \div \text{Average Interest-Earning Assets}$	A higher NIM reflects stronger core banking profitability.
Gross Profit Margin	$\text{Gross Profit Margin} = \text{Gross Profit} \div \text{Total Revenue}$	Indicates the effectiveness of cost control relative to total revenue.
Net Assets Margin	$\text{Net Assets Margin} = \text{Net Interest Income} \div \text{Total Assets}$	Measures the contribution of net interest income to total assets.
Efficiency and Cost Management		
Cost-to-Income Ratio	$\text{Cost-to-Income Ratio} = \text{Operating Expenses} \div \text{Operating Income}$	Lower ratio indicates higher operational efficiency and better cost management.
Capital Adequacy and Solvency		
Capital to Assets Ratio	$\text{Capital to Assets Ratio} = \text{Total Capital} \div \text{Total Assets}$	Higher ratio reflects a stronger capital base and greater ability to absorb losses.
Solvency Ratio	$\text{Solvency Ratio} = \text{Net Worth} \div \text{Total Risk-Weighted Assets}$	Indicates the bank’s long-term ability to meet its obligations; a key regulatory measure linked to Basel rules.
Liquidity Measures		
Loan-to-Deposit Ratio (LDR)	$LDR = \text{Total Loans} \div \text{Total Deposits}$	Lower LDR suggests better liquidity; too low may indicate under-utilization of funds.
Risk Indicators		
Non-Performing Loan (NPL) Ratio	$NPL \text{ Ratio} = \text{Non-Performing Loans} \div \text{Total Loans}$	Higher NPL indicates increased credit risk and potential loan portfolio quality issues.
Other Key Metrics		
Equity Multiplier	$\text{Equity Multiplier} = \text{Total Assets} \div \text{Shareholders' Equity}$	Higher multiplier means greater leverage, which can increase returns but also risk exposure.
Expense to Income Ratio	$\text{Expense to Income Ratio} = \text{Total Operating Expenses} \div \text{Total Operating Income}$	Lower ratio reflects better efficiency in controlling operating expenses relative to income generation.

Source : (Scott , 2025), (Berman, 2023), (MIRELA , 2016)

These indicators collectively provide a comprehensive view of a bank’s financial health, operational efficiency, risk exposure, and capital adequacy. They are essential tools for bankers, investors, regulators, and stakeholders to evaluate performance and make informed decisions.

III- The contribution of governance to enhancing financial performance in banks.

Effective governance is essential for improving banks' financial performance by creating robust structures and processes that promote prudent risk management, strategic alignment, transparency, and accountability. Leveraging governance mechanisms—such as active boards, risk and audit committees, and effective market and regulatory oversight—enhances profitability, mitigates risks, and fosters sustainable growth. Banks with strong governance frameworks not only achieve superior financial outcomes but also contribute to broader economic stability in the regions where they operate.

1- Role of Governance in Enhancing Financial Performance in Banks

The Role of Governance in Enhancing Financial Performance in Banks explores how effective governance structures, mechanisms, and policies contribute to improved efficiency, risk management, and sustainable profitability within the banking sector. It highlights the link between sound governance practices and strengthened stakeholder trust, market value, and long-term stability.

Aspect	Description	context
Improved Risk Management	Strong governance frameworks embed risk oversight in structures such as risk committees and independent board members. This enables effective identification, assessment, and mitigation of credit, market, operational, and liquidity risks, reducing unexpected losses and stabilizing performance.	According to the Agency Theory and Risk Management Theory , governance mechanisms reduce information asymmetry and moral hazard, enabling proactive risk control and enhancing long-term financial stability.
Strategic Decision-Making and Oversight	Governance ensures the board of directors oversees management decisions, aligning them with sustainability and shareholder value while avoiding excessive risk-taking. This promotes optimal resource allocation, cost control, and operational efficiency.	Empirical studies (e.g., Basel Committee reports) show that strategic oversight reduces inefficiencies and promotes sustainable profitability, supporting the Resource-Based View (RBV) of organizational advantage.
Transparency and Accountability	Clear reporting, disclosure, and audit processes foster investor, regulator, and customer trust. Accountability through internal and external audits ensures accurate financial reporting and fraud prevention.	Linked to Signaling Theory , transparency reduces market uncertainty, improving investor confidence and lowering the cost of capital, thereby enhancing financial ratios like ROE and ROA.
Regulatory Compliance and Market Discipline	Governance ensures compliance with laws, capital adequacy, and liquidity standards, while shareholder activism, credit ratings, and competition enforce sound governance practices.	Institutional Theory suggests that regulatory adherence legitimizes the bank's operations, while market discipline acts as an external governance mechanism that pressures management to improve performance.
Alignment of Incentives	Incentive systems align management's interests with the bank's long-term goals and risk appetite, discouraging short-term profit-seeking and excessive risk-taking.	Supported by Stewardship Theory , aligning incentives fosters commitment to organizational success, leading to sustainable financial growth and reduced volatility in earnings.

Source : (Seemali, 2024) , (Hassan , 2015), (**Basuony, 2014**), (Nurna & Niken , 2024) , (Kamal , 2023) ,

2- Key governance tools and their contribution to improving financial performance.

Key Governance Tools and Their Contribution to Financial Performance" highlights the essential mechanisms and structures that strengthen governance within institutions, such as boards of directors, risk committees, auditing, and transparency, explaining how these tools enhance profitability, reduce risks, and support sustainable growth.

Governance Tool	Contribution to Financial Performance	context
Board of Directors	Provides strategic oversight, risk governance, and decision-making authority; improves alignment	Supported by Agency Theory and Resource Dependence Theory , the board acts as both a monitoring and resource-providing body, reducing

	with shareholder interests and long-term goals.	agency costs and enhancing strategic adaptability, which positively impacts Return on Equity (ROE) and firm value.
Risk Management Committees	Specialized oversight of risk policies and practices enhances risk identification and mitigation, reducing losses.	Linked to Risk Governance Frameworks from Basel Committee principles, effective committees ensure proactive risk management, which lowers the volatility of earnings and improves credit ratings.
Audit Committees and Internal Controls	Ensure accuracy of financial reports, regulatory compliance, and detection of irregularities, promoting transparency and investor confidence.	According to Signaling Theory , reliable audits send positive signals to the market, reducing information asymmetry and lowering the cost of capital, which supports sustainable profitability.
Ownership Structure	Concentrated or diverse ownership impacts monitoring effectiveness; institutional investors often enhance governance quality.	Research in Corporate Governance and Performance shows that institutional ownership improves oversight and reduces managerial opportunism, enhancing long-term market performance.
Regulatory Frameworks	Promote capital adequacy, liquidity, and prudential standards, reducing systemic risk and supporting sustainable profitability.	Grounded in Institutional Theory , regulatory compliance enhances legitimacy, investor trust, and financial stability, contributing to resilience in economic downturns.
Market Mechanisms	Shareholder activism, takeovers, and credit rating agencies impose pressure to improve governance and financial health.	Based on Market Discipline Theory , these mechanisms act as external governance forces that encourage efficiency, innovation, and financial accountability.
Compensation and Incentives	Align executive rewards with performance and risk management goals, fostering prudent operational management.	Stewardship Theory suggests that well-structured incentives encourage executives to act in the best interest of the firm, leading to improved productivity and stable growth.
Disclosure and Transparency Practices	Enhance stakeholder trust, facilitating better funding conditions and reducing cost of capital.	Consistent with Stakeholder Theory , transparent disclosure strengthens relationships with all stakeholders, improving access to investment and lowering financing costs.

Source : (El-Chaarani, Abraham, & Skaf, 2022) , (Dheifallah & and others, 2024), (Alhassan & Mavis, 2021) (Oumniya , Najab, & Azmi, 2022),

3-How These Tools Enhance Financial Performance in Countries :

In both emerging and developed markets, empirical studies consistently demonstrate that banks with robust governance frameworks achieve superior financial performance. This is reflected in higher profitability metrics, such as return on assets (ROA) and return on equity (ROE), stronger capital adequacy ratios, and improved risk-adjusted returns. Effective governance mechanisms, including active boards, risk and audit committees, transparent disclosure practices, and well-aligned incentive systems, collectively strengthen operational efficiency and mitigate financial vulnerabilities.

At the national level, sound bank governance contributes to overall financial sector stability, which is a critical driver of sustainable economic growth. Well-governed banks allocate credit more efficiently, maintain liquidity, and reduce the probability of systemic banking crises, thereby reinforcing confidence in the financial system.

Furthermore, governance practices that prioritize risk awareness, regulatory compliance, and transparency enhance trust among both domestic and international stakeholders. This not only facilitates foreign and domestic capital inflows but also supports broader financial sector development, encourages investment, and improves the resilience of the banking system against economic shocks. Ultimately, effective governance serves as a cornerstone for aligning the banking sector with national economic objectives and long-term financial stability.

IV- The case of Al Rajhi Bank (Governance and improving financial performance)

Al Rajhi Bank is one of the largest and most prominent banks in Saudi Arabia and the Middle East, founded in 1957. It is recognized as the world's largest Islamic bank by capital and specializes in Shariah-compliant banking services. The bank started as a family business focusing initially on currency exchange before expanding into a full-fledged banking institution.

Headquartered in Riyadh, Al Rajhi Bank operates an extensive network of over 600 branches primarily in Saudi Arabia, along with branches in Kuwait and Jordan, and subsidiaries in Malaysia and Syria. The bank is publicly traded on the Saudi stock exchange (Tadawul) with a significant portion of its shares owned by the Al Rajhi family and other public shareholders.

Al Rajhi Bank offers a wide range of financial services including retail and corporate banking, investment, and wealth management, all designed to adhere strictly to Islamic finance principles. It has a strong reputation for operational efficiency, risk management, and transparency, which supports its leadership position in the Saudi banking sector.

The bank's historical growth is rooted in its comprehensive governance framework, strong risk management, and commitment to innovation, contributing significantly to its robust financial performance and sustained growth. Al Rajhi Bank plays a key role in supporting the economic development of Saudi Arabia and the broader region through its financial services and adherence to Islamic banking principles.

Its leadership continues to focus on sustainable growth, leveraging technology for digital transformation and maintaining a customer-centric approach to banking. This positions Al Rajhi Bank as a trusted leader in both the national and international Islamic banking industry.

1- Comprehensive Governance Structure and Its Impact

Al-Rajhi Bank's governance system is anchored in a robust framework that integrates multiple layers of oversight and specialized expertise (Alrajhi Bank, 2025):

- **General Assembly:** Provides shareholder accountability through regular meetings, ensuring shareholder rights are protected and strategic decisions have mandate and transparency.
- **Board of Directors:** Comprising members with varied expertise in finance, economics, and Islamic jurisprudence, the board balances commercial objectives with Shariah compliance. Regular board meetings and sub-committees ensure rigorous strategy review and risk oversight.
- **Shariah Supervisory Board:** A unique governance attribute for Islamic banks, this board closely monitors all products and transactions to ensure strict adherence to Islamic finance principles, fostering trust among investors and customers who seek ethical financial services.
- **Specialized Committees:** Risk Management, Audit, Nomination and Remuneration, and Governance Committees each play a critical role in managing specific bank functions with focus and expertise, elevating governance quality and operational integrity.

This intricate governance web ensures rigorous oversight, minimizes conflicts of interest, and fosters a culture of transparency and accountability—key drivers behind steady financial growth and operational resilience.

2-Governance Tools and Their Contribution at Al-Rajhi Bank:

Governance Tool	Contribution to Al-Rajhi Bank's Financial Performance
Board of Directors and Committees	Oversight of strategy, risk management, and compliance ensures disciplined decision-making and operational effectiveness.
Shariah Board	Ensures adherence to Islamic finance principles, enhancing governance integrity and stakeholder trust.

Risk Management Practices	Strong risk controls and loan loss coverage sustain financial stability and credit quality.
Transparency and Reporting	Regular, transparent financial disclosures build investor confidence and support market discipline.
Strategic Focus and Operational Efficiency	Continual growth in financing portfolios and investment income reflect efficient resource allocation and robust governance.
Social Responsibility	Active engagement in community development, environmental sustainability, and charitable initiatives enhances corporate reputation and fosters long-term stakeholder trust.
Internal Audit and Compliance Functions	Independent internal audit units and compliance departments ensure adherence to internal policies, Shariah guidelines, and regulatory requirements, reducing operational and legal risks.
Corporate Ethics and Whistleblowing Mechanisms	Clear ethical codes of conduct and confidential reporting channels foster a culture of integrity and accountability, mitigating reputational risks.
Stakeholder Engagement and Investor Relations	Regular engagement with shareholders, investors, and other stakeholders ensures alignment with their interests, improves market confidence, and attracts long-term capital.
Talent Development and Leadership Succession Planning	Structured programs for employee skill development and leadership succession ensure organizational continuity, innovation, and competitive advantage.
Digital Governance	Implementation of Core Banking Systems, AI-powered analytics, blockchain-based transaction monitoring, and cloud computing infrastructure to enhance operational transparency, improve risk management, and ensure regulatory compliance.

Source : (Alrajhi Bank, 2025) , (Al Rajhi, 2025):

3- Governance-Driven Risk Management Excellence

Al-Rajhi Bank's governance policies embed risk management as a core function, not only technical but also cultural and strategic (Al Rajhi Bank, 2024):

- **Credit Risk Management:** Strict underwriting policies, regular review of loan portfolios, and proactive provisioning for non-performing loans limit credit losses. The bank's maintenance of a high coverage ratio (>150%) for non-performing loans evidences prudent risk buffers.
- **Liquidity and Market Risk Controls:** Governance mandates high liquidity standards and stress testing, ensuring the bank can meet withdrawal demands and absorb market shocks.
- **Operational Risk Oversight:** Internal controls, audit functions, and compliance checks reduce fraud, operational errors, and regulatory breaches.

Through governance-enforced risk management, Al-Rajhi Bank reduces volatility in earnings and protects capital adequacy, which reassures regulators and investors alike, underpinning the bank's strong credit ratings and ability to raise low-cost funding.

4- Transparent Reporting and Stakeholder Confidence

Transparency is a cornerstone of governance at Al-Rajhi Bank (Alrajhi Bank, 2025):

- Quarterly and annual financial reports adhere to IFRS standards, including full disclosure of performance metrics like ROA, ROE, NPL ratios, and capital adequacy.
- Governance disclosures reveal executive compensation, related party transactions, risk exposures, and compliance outcomes.
- Openness in reporting builds investor trust and supports favorable market valuations, decreasing the bank's cost of capital and enabling access to diverse funding sources.

This commitment to disclosure reduces asymmetric information costs and acts as a positive signal of governance quality, attracting institutional investors and encouraging long-term business relationships.

5- Strategic Governance Alignment to Growth and Efficiency

Governance mechanisms at Al-Rajhi Bank support strategic choices that balance growth with prudence (Alrajhi Bank, 2025):

- Allocation of capital to high-return but compliant financing sectors enhances profitability without compromising risk appetite.
- Governance promotes cost control and operational efficiencies, evidenced by improving cost-to-income ratios over time.
- Focus on innovation and digital banking services is overseen through governance channels to ensure regulatory compliance and cybersecurity risk mitigation, expanding customer base and operational scalability.

This blend of strategic governance and operational discipline enables Al-Rajhi Bank to sustain above-sector-average returns and maintain leadership in the Islamic banking market.

6- Contribution to Saudi Arabia's Banking Sector and Economic Stability

Beyond its own operations, Al-Rajhi Bank's governance framework plays a pivotal role in strengthening and advancing Saudi Arabia's financial system (Alrajhi Bank, 2025):

- Consistent profitability and robust capital buffers enable the bank to absorb economic shocks, thereby mitigating systemic risk.
- Strong governance standards set a benchmark for the industry, encouraging peer institutions to enhance transparency, compliance, and risk management practices.
- By effectively mobilizing deposits and directing capital toward productive investments, Al-Rajhi actively supports national economic diversification and the objectives of Vision 2030.

Through governance-driven performance, Al-Rajhi Bank reinforces the stability of the Kingdom's broader financial sector by ensuring sustainable profitability, prudent capital allocation, and heightened risk awareness. Its leadership in liquidity management, asset expansion, and deposit mobilization underscores the effectiveness of its governance within the framework of Islamic banking principles (Abdulmonem & Reji , 2013).

7- The impact of implementing governance mechanisms on improving financial performance at Al Rajhi Bank.

7-1- Financial performance for the first half of

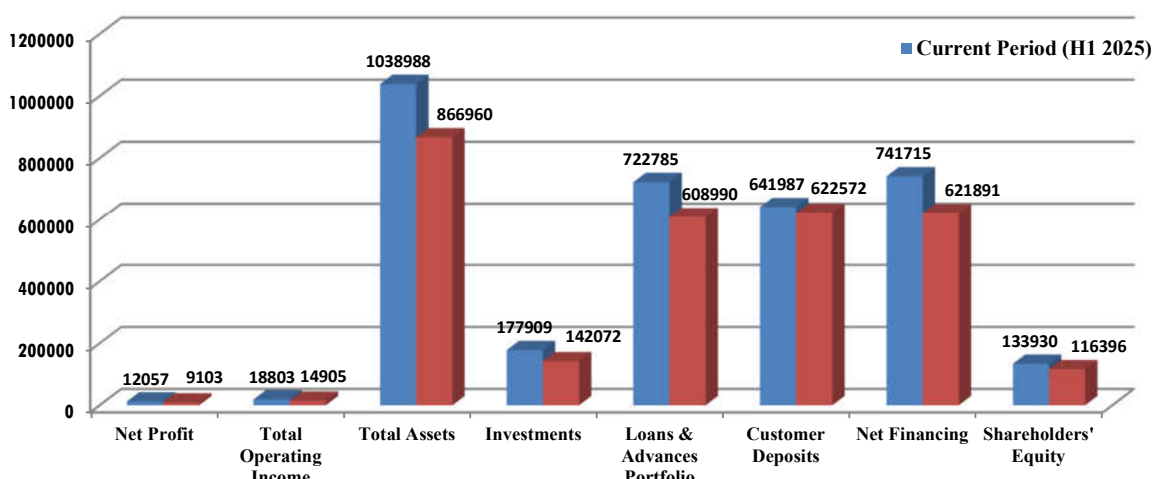
Table No. 1 : Financial performance for the first half of 2025 ((SAR million))

Financial Indicator	Current Period (H1 2025)	Previous Period (H1 2024)	% Change	Comment
Net Profit	12,057	9,103	32% ↑	Strong operational performance and profitability growth.
Total Operating Income	18,803	14,905	26% ↑	Driven by higher net financing and investment income, and increased fees & FX income.
Total Assets	1,038,988	866,960	20% ↑	Expansion reflects the bank's growing capacity to finance and invest.
Investments	177,909	142,072	25.22%↑	Strategic focus on diversifying investment portfolio and enhancing returns.
Loans & Advances Portfolio	722,785	608,990	18.69%	Expansion in lending supports future profitability; risk monitoring remains key.
Customer Deposits	641,987	622,572	3% ↑	Demonstrates continued customer trust and liquidity strength.
Net Financing	741,715	621,891	19% ↑	Growth in net financing underlines effective lending strategy and credit management.
Shareholders' Equity	133,930	116,396	15% ↑	Increase reflects retained earnings and strong capital position supporting sustainable growth.

Source : (Saudi Axchange, 2025) & (Al Rajhi, 2025), (Al Rajhi Bank, 2024)

Figure 4 : Financial performance development

Source : Prepared by resear



chers based on the previous table

Al Rajhi Bank's financial results for the first half of 2025 demonstrate robust growth and operational excellence, reflecting not only the effectiveness of its strategic initiatives but also the **strong corporate governance framework** that underpins its operations. The bank reported a net profit of SAR 12,057 million, marking a 32% increase compared to SAR 9,103 million in H1 2024. This substantial rise highlights how **transparency, accountability, and effective oversight mechanisms**—core principles of corporate governance—have enabled the bank to sustain profitability while managing risks prudently.

Total operating income reached SAR 18,803 million, growing by 26% year-on-year. This growth was primarily driven by a 25% increase in net financing and investment income, complemented by a 24% rise in fees and foreign exchange revenue. The **expansion of both financing and investment portfolios—by 19% each—reflects the bank's adherence to governance-driven risk management policies**, ensuring that asset growth aligns with prudent lending standards and strategic investment decisions. The high **non-performing loan coverage ratio exceeding 150%** further evidences the bank's commitment to governance mechanisms in credit monitoring and risk mitigation.

The bank's total assets increased to SAR 1,039 billion, a 20% year-on-year growth, demonstrating the institution's enhanced capacity to finance, invest, and support customer needs. Customer deposits rose to SAR 642 billion, reflecting continued customer trust and confidence, which are reinforced by the **bank's governance practices promoting transparency and protection of stakeholders' interests**. The return on assets (ROA) of 2.4% and return on shareholders' equity (ROE) of 23.5% further confirm the bank's efficiency in generating value from its resources, underpinned by **effective governance in strategic decision-making and resource allocation**.

From a capital and equity perspective, shareholders' equity grew by 15% to SAR 133,930 million, demonstrating the accumulation of retained earnings and the bank's solid capital position. Similarly, the net financing portfolio expanded by 19% to SAR 741,715 million, reflecting an effective lending strategy aligned with growth ambitions and **oversight mechanisms that ensure risk-adjusted lending practices**. The investment portfolio growth of 25.22% to SAR 177,909 million underscores strategic diversification guided by governance policies aimed at enhancing long-term returns while safeguarding shareholder interests.

Beyond financial metrics, Al Rajhi Bank continues to advance its innovation and digital transformation agenda, a core component of its strategic plan to drive long-term growth. The "Harmonize the Group" strategy strengthens integration between business units and subsidiaries, **demonstrating the role of governance structures in promoting organizational alignment and operational excellence**.

The bank also reaffirms its commitment to social responsibility, supporting programs such as the “Educational Orphan Care Program” and healthcare initiatives. These contributions, aligned with Saudi Vision 2030, highlight how **strong corporate governance enables the bank to balance profitability with societal impact**, reinforcing its reputation as a socially responsible institution.

In sustainability, the bank achieved a notable milestone with its ESG rating upgraded from “A” to “AA” by MSCI, positioning it among the top five companies in the GCC. This achievement reflects **robust governance in environmental, social, and governance standards**, ensuring compliance with global best practices and long-term sustainability objectives.

In conclusion, Al Rajhi Bank’s H1 2025 performance illustrates that **effective corporate governance is a key enabler of financial growth, operational efficiency, strategic portfolio expansion, and social responsibility**, confirming its position as a leading financial institution in Saudi Arabia and the GCC.

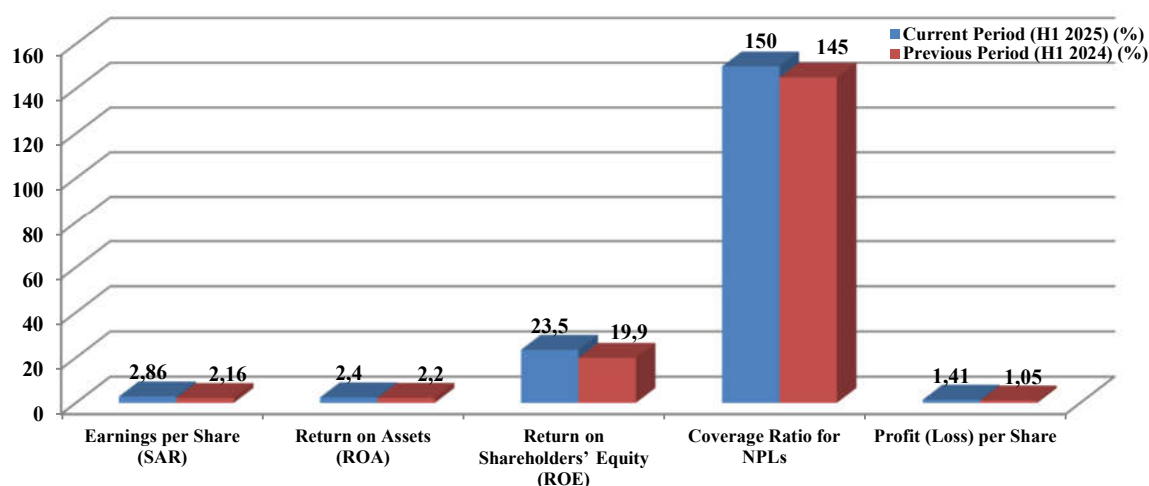
7-2- Financial performance indicators

Table No. 2: Financial performance indicators

Financial Indicator	Current Period (H1 2025) (%)	Previous Period (H1 2024) (%)	Comment
Earnings per Share (SAR)	2.86	2.16	Reflects higher returns to shareholders due to improved profitability.
Return on Assets (ROA)	2.4	2.2	Indicates efficient asset management.
Return on Shareholders’ Equity (ROE)	23.5	19.9	Demonstrates strong profitability relative to shareholder equity.
Coverage Ratio for NPLs	>150	145	Reflects effective risk management and financial stability.
Profit (Loss) per Share	1.41	1.05	Shows improved earnings performance per unit of share, highlighting profitability growth.

Source : (Saudi Axchange, 2025) & (Al Rajhi, 2025), (Al Rajhi Bank, 2024)

Figure 5 : Financial performance indicators



Source: Source : Prepared by researchers based on the previous table

The key financial indicators reported by Al Rajhi Bank for the first half of 2025 not only reflect strong operational and financial performance but also demonstrate the **critical role of corporate governance mechanisms** in driving these results.

- **Earnings per Share (SAR 2.86, up from 2.16)** reflects the bank’s ability to deliver higher returns to shareholders. This improvement is underpinned by **transparent reporting, accountability, and strategic oversight**, which ensure that profits are generated efficiently and distributed fairly among shareholders.

- **Return on Assets (ROA 2.4%, up from 2.2%)** indicates effective asset management. The bank's governance framework promotes **rigorous risk assessment, prudent allocation of resources, and internal controls**, which collectively enhance asset utilization and operational efficiency.
- **Return on Shareholders' Equity (ROE 23.5%, up from 19.9%)** demonstrates strong profitability relative to equity. Effective **board oversight, policy adherence, and strategic planning** ensure that capital is deployed efficiently to maximize shareholder value.
- **Coverage Ratio for Non-Performing Loans (>150%, up from 145%)** reflects robust risk management. Governance mechanisms, including **comprehensive credit monitoring, internal audits, and adherence to regulatory standards**, ensure that potential credit risks are mitigated, maintaining financial stability.
- **Profit (Loss) per Share (1.41, up from 1.05)** illustrates improved earnings performance per unit of share. This outcome is supported by **governance practices that align executive decisions with long-term shareholder interests**, ensuring sustainable profitability.

In summary, Al Rajhi Bank's financial performance across these key indicators demonstrates that **strong corporate governance—through transparency, accountability, risk management, and strategic oversight—is a key enabler of sustainable growth, profitability, and shareholder .**

Al Rajhi Bank exemplifies how strong, well-enforced corporate governance frameworks serve as a fundamental driver of sustainable financial success. The bank's H1 2025 results highlight significant growth in net profit, operating income, and total assets, reflecting **effective strategic oversight, transparency, and rigorous risk management**. Improvements in ROA, ROE, and earnings per share indicate **efficient utilization of resources and enhanced value creation for shareholders**. The high coverage ratio for non-performing loans underscores **prudent credit monitoring and financial stability**. Multi-tier oversight structures and governance-aligned strategic decisions support **portfolio diversification, sustainable growth, and alignment of lending and investment with long-term objectives**. Furthermore, adherence to governance principles allows the bank to **balance profitability with social responsibility and ESG commitments**, reinforcing its reputation as a socially responsible institution. Operational excellence, risk mitigation, and stakeholder confidence are all strengthened by robust governance, benefiting not only shareholders but also the broader banking sector and Saudi economy. Collectively, these factors **secure Al Rajhi Bank's position as a leading financial institution in Saudi Arabia and the GCC**, demonstrating the tangible impact of corporate governance on financial and operational performance.

Conclusion

This study highlights the pivotal role of banking governance tools in enhancing the financial performance of commercial banks, with Al Rajhi Bank serving as a distinguished practical example. The findings indicate that implementing effective governance practices strengthens key financial indicators and builds trust among customers and investors, contributing to financial stability and competitive advantage. Amid growing economic challenges and intense competition, investing in governance is a strategic priority to ensure sustainable financial performance. The study also emphasizes the importance of transparency and accountability in mitigating risks and improving operational efficiency. By developing and reinforcing governance mechanisms, banks can achieve sustainable financial growth and meet the expectations of diverse stakeholders. Accordingly, it is recommended that other financial institutions adopt these practices to enhance their financial performance and support the overall stability of the banking sector.

Study results :

- The strategic and consistent implementation of banking governance mechanisms—such as active boards, risk management committees, audit functions, and incentive alignment—

significantly strengthens financial performance indicators for commercial banks. These improvements are evident in higher profitability, stronger return on assets (ROA), and better return on equity (ROE), reflecting operational efficiency and robust financial health.

- Transparent governance practices foster accountability and openness, which enhances trust among clients, investors, and other stakeholders. This trust translates into a more stable deposit base, improved investor relations, and access to diversified funding sources, ultimately supporting sustainable financial growth.
- Effective governance structures are critical in identifying, assessing, and managing financial and operational risks, including credit, liquidity, market, and operational risks. By mitigating these risks, banks maintain stability and resilience against economic fluctuations or financial shocks, preserving long-term viability.
- Governance tools provide the framework for informed and disciplined decision-making at both board and management levels. By aligning strategic objectives with risk appetite and regulatory requirements, banks achieve better resource allocation, cost management, and operational efficiency, resulting in superior financial outcomes.
- Robust governance practices ensure that banks maintain long-term financial sustainability in increasingly competitive environments. By prioritizing sound strategy, ethical management, and prudent risk oversight, governance mechanisms support sustainable growth and continuous value creation for shareholders.
- Al Rajhi Bank exemplifies the successful application of governance tools within the Islamic banking sector. Its performance demonstrates how structured governance can lead to industry leadership, offering a model for other banks aiming to enhance financial outcomes while adhering to ethical and regulatory standards

recommendations :

- Future research should undertake a more detailed examination of banking governance mechanisms, assessing how each tool—such as board composition, risk committees, audit functions, and incentive structures—affects different dimensions of financial performance, including profitability, liquidity, and risk management.
- Expanding the research to encompass various banking models both locally and internationally will allow for cross-country comparisons, highlighting differences in governance effectiveness and contextual factors that influence financial outcomes.
- It is crucial to investigate how macroeconomic, regulatory, and political conditions affect the efficacy of governance practices, as these external variables can significantly shape banks' operational and financial performance.
- Creating new, refined metrics to measure governance effectiveness will improve the ability to quantify its impact on financial results, providing researchers and practitioners with more precise analytical tools.
- Case studies of diverse banks can reveal best practices, innovative governance approaches, and lessons learned, facilitating the generalization of findings to other institutions and contexts.
- Research should explore the relationship between governance structures and innovation in banking services and financial technology, assessing how effective governance can promote creativity, digital transformation, and operational efficiency.
- provide actionable guidance for banks, helping them strengthen governance frameworks, optimize decision-making, and enhance overall financial performance while maintaining regulatory compliance and stakeholder trust.

Bibliography

1. Abdulmonem , A., & Reji , D. (2013). FINANCIAL RECESSION, CREDIT CRUNCH AND ISLAMIC BANKS: A CASE STUDY OF AL RAJHI BANK IN THE KINGDOM OF SAUDI ARABIA. *Journal of ECONOMICS AND BUSINESS*, XVI(1), 15-36.
2. Al Rajhi Bank. (2024). Record breaking results in Q2-24; performance to continue going forward driven by NIMs expansion ; upgrading to “Overweight” . Saudi Arabia: Al Rajhi Bank.
3. Al Rajhi, A. (2025, 07 21). marking a 32% growth Alrajhi Bank recorded a net income of 12,057 Million SAR in the first half of 2025. Consulté le 08 15, 2025, sur <https://www.argaam.com/en/article/articledetail/id/1829178>
4. Alexandru , I. (2014). MEASURING THE FINANCIAL PERFORMANCE OF THE EUROPEAN SYSTEMICALLY IMPORTANT BANKS. *Financial Studies*, 31-51.
5. Alhassan , M., & Mavis, Y. (2021). The effect of corporate governance on financial performance of rural banks in Ghana. *International Journal of Financial, Accounting, and Management (IJFAM)*, 2(4), 305-319.
6. ALI K, A., & and others. (2022). Board Governance Mechanisms and Liquidity Creation: A Theoretical Framework. *Fin Bank Review*, 7(2), 136-148.
7. Alrajhi Bank. (2025). Consulté le 08 15, 2025, sur Alrajhi Bank: <https://www.alrajhibank.com.sa/>
8. Alrajhi Bank. (2025). corporate governance structure at alrajhi. Consulté le 08 10, 2025, sur https://www.alrajhibank.com.sa/ir24/corporate_governance/corporate_governance_structure_at_alrajhi.html
9. Armour , J., & and others. (2016). *Bank Governance*. Brussels, Belgium: European Corporate Governance Institute.
10. Basel CBS. (1999). *Enhancing Corporate Governance for Banking Organisations*. Switzerland: Basel Committee on Banking Supervision.
11. Basel Committee. (2021). *Basel III Monitoring Report*. Basel: Basel Committee on Banking Supervision.
12. Basuony, M., & others. (2014). THE EFFECT OF CORPORATE GOVERNANCE ON BANK FINANCIAL PERFORMANCE: EVIDENCE FROM THE ARABIAN PENINSULA. *Corporate Ownership & Control*, 11(2), 178-191.
13. Bensilette, Z. (2024). Establishing banking governance principles for risk management in the Algerian Banking sector. *International Journal of Economic Perspectives*, 18(8), 1264–1280.
14. Berman, M. (2023, 09 08). Risk Management: Key Performance Indicators in Banking. Consulté le 08 10, 2025, sur Ncontracts: <https://www.ncontracts.com/nsight-blog/key-performance-indicators-in-banking>
15. Bernadette , J., & Corina , J. (2015). Corporate Governance Mechanisms and Bank Performance: Resource-based View. *Procedia Economics and Finance*, 31, 117-123.
16. BIS. (2015). *Corporate governance principles for banks*. Basel, Switzerland: Bank for International Settlements.
17. BIS. (2023). *Corporate governance principles for banks*. Basel, Switzerland: Bank for International Settlements.
18. BIS. (2025). Governance and organisation. Consulté le 08 14, 2025, sur Bank for International Settlements: <https://www.bis.org/about/orggov.htm>
19. Dheifallah , E., & and others. (2024). The impact of corporate governance on the financial performance of banks. *Uncertain Supply Chain Management*, 12, 2429–2440.
20. ECB. (2024). IFRS 9 overlays and model improvements for novel risks -best practices for capturing novel risks in loan loss provision. Frankfurt, Germany: EUROPEAN CENTRAL BANK -BANKING SUPERVISION.
21. El-Chaarani, H., Abraham, R., & Skaf, Y. (2022). The impact of corporate governance on the financial performance of the banking sector in the MENA (Middle Eastern and North African) region: An immunity test of banks for COVID-19. *Journal of Risk and Financial Management*, 15(2), 1-21.
22. Eric , G., vusa , Z., & Jared , A. (2016). The Effect of Bank Specific Factors on Financial Performance of Commercial Banks in Kenya. *International Journal of Sciences: Basic and Applied Research (IJSBAR)*, 30(5), 165-180.
23. FMI. (2014). *RISK TAKING BY BANKS: THE ROLE OF GOVERNANCE AND EXECUTIVE PAY*. usa: International Monetary Fund. Not for Redistribution.
24. FSB. (2024). *The Compendium of Standards*. Consulté le 08 03, 2025, sur Financial Stability Board: <https://www.fsb.org/work-of-the-fsb/about-the-compendium-of-standards/>
25. Hassan , M. (2015). CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE: AN EMPIRICAL STUDY ON EGYPTIAN BANKS. *Corporate Ownership & Control*, 13(1), 1359-1374.
26. IFC. (2018). *Corporate Governance*. Consulté le 07 25, 2025, sur International Finance Corporation: <https://www.ifc.org/en/what-we-do/sector-expertise/corporate-governance>
27. IFM. (2024). Financial Sector Assessment Program (FSAP). Consulté le 08 10, 2025, sur <https://www.imf.org/en/Publications/fssa>
28. Kamal , A.-B. (2023). Corporate governance and bank financial sustainability: Empirical evidence from the G7 countries. *Corporate Ownership and Control*, 20(3), 180–204.
29. MIRELA , M. (2016). PERFORMANCE INDICATORS FROM BANKING SYSTEM. *Annals of the University of Petroșani, Economics*, 16(2), 69-76.
30. Murya , H. (2023). *CORPORATE GOVERNANCE PRINCIPLES FOR BANKS*. California, usa: linkedin.

31. Nasareldeen , H., & and others. (2024). The role of bank governance in managing the risks associated with banking institutions. *International Journal of Advanced and Applied Sciences*, 11(4), 194-206.
32. Nurna , A., & Niken , K. (2024). The Influence of Corporate Governance on Financial Performance With Risk Management as Mediating Variable. *jurnal Aplikasi Bisnis Dan Manajemen*, 10(1).
33. Osama , M., & Gerinda , S. (2022). Enhancing financial performance of the banks: the role of customer response and operations management. *Journal of Innovation and Entrepreneurship*, 2-16.
34. Oumniya , A., Najab, A., & Azmi, M. (2022). The impact of governance structure on bank performance: A cross-country panel analysis using statistical learning algorithms. *Procedia Computer Science*, 203, 520-524.
35. Saudi Axchange. (2025, 04 22). Al Rajhi Bank announces its Interim Financial Results for the Period Ending on 2025-03-31 (Three Months). Consulté le 08 15, 2025, sur <https://www.saudiexchange.sa/wps/portal/saudiexchange/newsandreports/issuer-news/issuer-announcements/issuer-announcements-details/?anId=86642&anCat=1&cs=1120&locale=en>
36. Scott , B. (2025, 05 06). 30 Financial Metrics and KPIs to Measure Success in 2025. Consulté le 08 12, 2025, sur Oracle NetSuite: <https://www.netsuite.com/portal/resource/articles/accounting/financial-kpis-metrics.shtml>
37. Seemali, A. (2024). THE IMPACT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE. Umeå, Sweden.: Umea University.
38. WBG. (2021, MAY). FINANCIAL SECTOR ASSESSMENT PROGRAM: 2021 REVIEW. USA: THE WORLD BANK GROUP .
39. WBG. (2023). Worldwide Governance Indicators. Consulté le 08 10, 2025, sur WORLD BANK GROUP: <https://www.worldbank.org/en/publication/worldwide-governance-indicators/documentation>
40. Wondmagegn, B., Habtamu , L., & Mekonnen , K. (2021). FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN THE EMERGING MARKETS. *Corporate Governance and Organizational Behavior Review*, 5(2), 244-257.
41. Gourine, H. (2020). Le Nouveau Management Public: Innovation managériale des organismes de santé en Algérie.