

GCC banking sector outlook

Year-end report 2024



The better the question. The better the answer. The better the world works.



Shape the future
with confidence

Foreword



Mayur Pau

EY MENA Financial Services Leader

As we embark on another year of innovation and growth, I am delighted to present the highlights of the GCC banking sector. This report covers the regional outlook and analyzes the competitive landscape of the GCC banking sector using financial performance indicators. Banks within the GCC region have remained resilient and have demonstrated prudent optimism. The upcoming year promises to be transformative, with advancements in technology, shifts in consumer behavior and regulatory changes shaping the future of banking.

On the monetary policy front, GCC central banks are expected to continue mirroring the rate movements of the US Fed and the cycle should support the growth of the region's non-oil sector.

Despite potential modest impacts from changing interest rates, the regional banking industry is expected to remain strong in 2025. This strength is supported by considerable capital cushions, healthy asset quality indicators and adequate profitability. Additionally, the resilient economies of the region contribute to the banking sector's strength. Efforts toward economic diversification and accommodative policies will support higher consumption and investment. These factors will further boost the performance of the banking sector.

As we look ahead, we are excited about the opportunities that 2025 holds for the banking sector. We are committed to staying at the forefront of these developments, providing value to our clients, stakeholders and communities. I look forward to working alongside each of you as we continue to elevate the GCC banking sector to new heights of excellence and innovation.

Purpose and approach

The purpose of this study is to obtain insights into the GCC banking sector. The comprehensive study provides a detailed overview of the current state and outlook of the GCC banking sector, as well as the competitive landscape of banks in this dynamic economic bloc. The analysis is based on the performance of the top 20 banks. They have been selected based on the asset size and their geographical coverage within the GCC region. The selected financial key performance indicators (KPIs) for 2024 are compared with KPIs for 2023 to perform the analysis. The values are presented in US\$b.

The data used for the study were obtained through public sources, including company websites, filings, website searches and EY-subscribed data sources.

Data item	Definition
Net interest income (NII) ratio (%)	NII or net finance income as a percentage of interest income or financing income
Net interest margin (NIM) (%)	NII or net finance income as a percentage of average interest-earning assets
Net profit margin (%)	Net profit as a percentage of interest income
Return on average equity (RoAE) (%)	Net income as a percentage of adjusted average equity
Non-performing loan (NPL) ratio (%)	Non-performing loans as a percentage of total loans
NPL coverage (%)	Total allowance for loan losses divided by the total amount of NPL
Cost-to-income ratio (%)	Operating expense as a percentage of operating income
Loan-to-deposit ratio (%)	Net loans as a percentage of total deposits
Capital adequacy ratio (CAR) (%)	As defined by the latest regulatory and supervisory guidelines
Expected credit loss (ECL) coverage ratio (%)	Total ECL provisions as a percentage of gross exposure
Tier 1 ratio (%)	Tier 1 ratio as defined by the latest regulatory and supervisory guidelines
Price-to-book (P/B)	Market capitalization/Adjusted equity

Institution name	Country name
KSA bank 1	KSA
KSA bank 2	KSA
KSA bank 3	KSA
KSA bank 4	KSA
KSA bank 5	KSA
UAE bank 1	UAE
UAE bank 2	UAE
UAE bank 3	UAE
UAE bank 4	UAE
UAE bank 5	UAE
Kuwait bank 1	Kuwait
Kuwait bank 2	Kuwait
Kuwait bank 3	Kuwait
Qatar bank 1	Qatar
Qatar bank 2	Qatar
Qatar bank 3	Qatar
Oman bank 1	Oman
Oman bank 2	Oman
Bahrain bank 1	Bahrain
Bahrain bank 2	Bahrain

Contents



1. GCC economic overview
2. GCC banking overview
3. Competitive landscape – 2024

Executive summary

The banking industry in the GCC region is distinguished by its resilience, creative strategies and versatile adaptability to global economic movements and regional transformations.

The GCC banks will continue to benefit from strong capital levels, supporting their overall performance. Brent crude prices are expected to be around US\$74 per barrel (pb) in 2025. This, along with the expansion of gas production in Qatar, the implementation of economic transformation projects in the Kingdom of Saudi Arabia (KSA) and the non-oil economic growth in Bahrain and the UAE, will support the growth of GCC banks in the coming quarters. However, oversupply in Qatar's real estate market and subdued demand in Kuwait pose risks. Still, robust provisions in Qatar and Kuwait's state-driven economic support are expected to uphold banking sector resilience.

Credit growth was experienced in most GCC countries, supported by a strong project pipeline. Aggregate contract awards, especially those for infrastructure development in the KSA and the UAE supported this expansion.

The positive trajectory of GCC banks is expected to continue in the near future. This outlook is supported by rising lending volumes, increased fee income, stable margins and effective cost management. However, risks remain due to slower economic growth associated with oil market dynamics, imbalances in the real estate sector and geopolitical uncertainties.



1

GCC economic overview

Non-oil growth remains to be a priority with oil prices remaining within market expected ranges

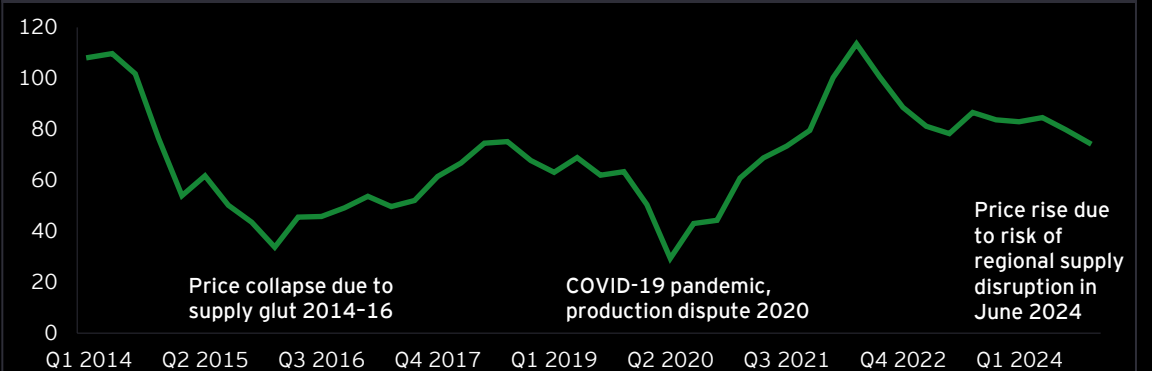
Narrower current account surplus and robust non-oil growth



- The GDP growth in the GCC region is projected at 3.5% in 2025 by the International Monetary Fund (IMF), largely due to the impact of the geopolitical uncertainties and prolonged production cuts by Organization of the Petroleum Exporting Countries (OPEC+). Interest rate reductions, along with further investment and structural reforms, are expected to drive non-oil growth of over 3.4% in the region's two largest economies – the KSA and the UAE. Changes in the US trade policy add uncertainty to the forecast, but tariffs are unlikely to directly affect short-term growth in the region.
- According to the IMF, the current account surplus in the region is expected to be 8.2% of GDP in 2025. On the fiscal front, a surplus of 3.9% of GDP is forecast for 2025.
- Despite the notable achievements in controlling inflation, the economic scenario of the region could be influenced by geopolitical instability, disruptions in shipping routes, the impacts of climate change and geopolitical protectionist measures.

Source: IMF, IEA, ICAEW, Refinitiv Eikon, EMIS and other secondary research.

Oil production to remain broadly flat in 2025 as we expect non-oil to stay on the strong side





Source: Oxford economics

- World oil demand forecast by the International Energy Agency (IEA) mentions that it is set to expand by 1.6 mbpd (million barrel per day) to 104.5 mbpd in 2025. The forecasted expansion reflects the end of the post-COVID-19 pandemic release of pent-up demand. It offers relief to challenging global economic conditions and the deployment of clean energy technologies. Non-OPEC+ producers are likely to account for the bulk of the increase if OPEC+ voluntary cuts remain in place.
- Oil prices in 2025 are forecast to fall to an average of US\$74 pb as per IEA, as OPEC+ unwinds earlier output cuts to help rebuild its global market share. This action is expected to boost economic growth in the GCC region.
- The average Brent crude oil price for 2024 was US\$81 pb, slightly lower than the US\$83 pb in 2023 as per IEA.
- High oil prices and favorable economic growth have supported the healthy finances and consistent growth of GCC banks.

GCC poised for a strong 2025 with reforms and investment-led growth

GDP growth is forecast to rebound to 3.5% in 2025, up from 1.4%, as oil production gradually increases, providing a boost to the region's economies. Hydrocarbon growth is likely to be 3.3%, while non-hydrocarbon sectors are forecast to grow at 3.4%, supported by strong domestic investment momentum.

 Saudi Arabia		 UAE		 Qatar	
GDP growth		GDP growth		GDP growth	
2025	4.6%	2025	5.1%	2025	1.9%
2026	4.4%	2026	5.1%	2026	5.8%
S&P credit rating		S&P Credit rating		S&P credit rating	
A+ with stable outlook		AA with stable outlook		AA with stable outlook	
 Kuwait		 Bahrain		 Oman	
GDP growth		GDP growth		GDP growth	
2025	3.3%	2025	3.2%	2025	3.1%
2026	2.5%	2026	2.9%	2026	4.4%
S&P credit rating		S&P credit rating		S&P credit rating	
A+ with stable outlook		B+ with stable outlook		BBB- with stable outlook	

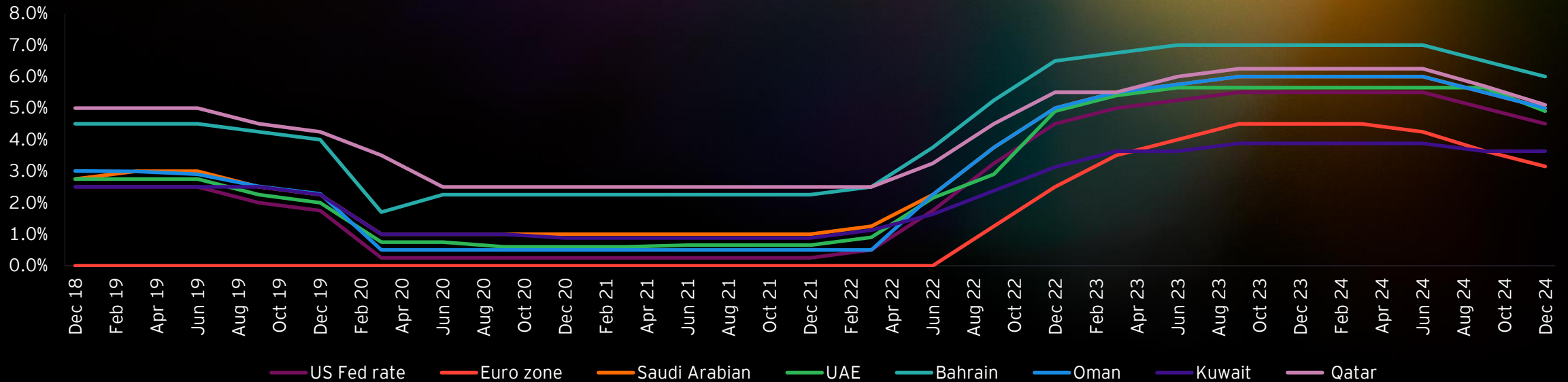
Source: IMF, S&P

2

GCC banking overview

Decline in interest rates will cause banks to pursue higher yields domestically and internationally

Interest rates across GCC countries reported a decline









Note: Central bank policy rates

Source: Refinitiv Eikon, CEIC, EMIS, EY analysis and other secondary research

- In December 2024, the US Federal Reserve reduced interest rates by 25 basis points (bps) and GCC economies have started to lower their rates in response to the Fed's decision. This move, along with domestic policies, has contributed to reducing inflation from the elevated levels experienced in 2022.
- During 2024, major central banks initiated a cycle of monetary policy easing to support growth as inflationary pressures subsided. However, energy price volatility and trade-war escalations add uncertainty to the trajectory of rate cuts in 2025.
- In 2025, banks will aim for higher yields, as the impact of rate cuts is typically reflected in their financials with a delay.

The economic transformation plans, robust project pipeline and healthy demand are supporting the growth of the banking sector

The GCC banks have shown sustained growth in credit facilities during 2024. This growth is supported by robust transformation plans and resilient economic conditions; with nearly all countries in the region contributing to this trend. The banks are capitalized well and exhibit strong asset quality indicators. These factors support the ability of GCC banks to maintain this strong performance trajectory through to 2025, albeit with some impact from reduced interest rates.

 Saudi Arabia	 UAE	 Qatar
<ul style="list-style-type: none"> ▪ Saudi banks reported a 14.4% y-o-y credit growth during December 2024, backed by loan growth in almost all sectors, especially in the private sector. This was primarily due to various project developments in line with Vision 2030. ▪ Mortgage origination reached its highest level since 2022, driven by both retail and corporate lending. ▪ Going forward, the growth of Saudi Arabia's planned mega projects will be crucial in creating business and lending opportunities for banks during 2025. 	<ul style="list-style-type: none"> ▪ Banks in the UAE are anticipated to maintain robust growth in their lending activities, strengthened by relaxed monetary policies and a favorable economic environment. Further, growth in deposits has consistently outpaced lending, with support from both the corporate and retail segments. ▪ The asset quality is expected to remain robust. According to S&P, NPLs dropped to 4% of gross loans by September 2024, compared with 6.1% in 2021. ▪ Credit demand and reduced borrowing costs are expected to boost credit growth during 2025. 	<ul style="list-style-type: none"> ▪ Banks in Qatar have exhibited sufficient profitability and robust capital strength, with both tier 1 and CAR surpassing the mandated regulatory thresholds. Nevertheless, an oversupply in real estate and hospitality sector is anticipated to exert pressure on the asset quality. ▪ The banking sector has significant exposure to external debt, which is expected to broadly stabilize. It is expected that domestic funding avenues will adequately finance credit expansion during 2025, with the completion of major infrastructure projects and LNG expansion.
 Kuwait	 Bahrain	 Oman
<ul style="list-style-type: none"> ▪ The Kuwait banking sector has high profitability supported by slower rate cuts and stronger lending growth. ▪ The sector is expected to sustain its stability, underpinned by substantial capital reserves. ▪ At the end of December 2024, foreign assets accounted for 30.4% of the total assets of local banks. ▪ Risks remain from high exposure to the real estate sector. 	<ul style="list-style-type: none"> ▪ In 2024, banks in Bahrain witnessed an asset expansion of 3.9% compared to 2023. The loan-to-deposit ratio was recorded at a modest 60.1% in Q3 2024, indicating substantial room for funding opportunities. ▪ Economic growth is expected to be robust with the completion of refinery upgrades in the manufacturing sector. Additionally, a pick-up in private sector growth is anticipated to support greater private investment. ▪ Credit growth to further edge up in 2025 backed by cheaper borrowing costs, giving a boost to consumers and corporates. 	<ul style="list-style-type: none"> ▪ During November 2024, Omani banks credit and deposits grew by 4.2% y-o-y and 10.8% y-o-y respectively. This robust growth in the lending sector aligns with the nation's expanding non-oil economic activities and the steady progress of Oman Vision 2040 initiatives, which aim to diversify the economy. ▪ The credit environment is expected to remain conducive, supporting lending growth in near term.

Source: Central bank statistics, EMIS, Analyst reports from U Capital and Morgan Stanley, S&P, Oxford economics, EY analysis.

The road ahead for GCC banks

Geopolitical uncertainty

Enhancing bank resilience in the face of macro-financial and geopolitical turbulence

Accelerating growth and efficiency through digitalization

Neobanks redefining retail banking

Harnessing the power of generative AI (GenAI)

Investing in hyper-personalization and compliance

Data privacy as a differentiator

Embracing cybersecurity and privacy by design

Open banking and application programming interfaces (APIs)

Catalyzing innovation and collaboration in the financial ecosystem

Committing to a sustainable future

Sustainable finance to address climate change

Regulatory updates

Impact of new regulations on the banking sector

Embracing the digital currency revolution

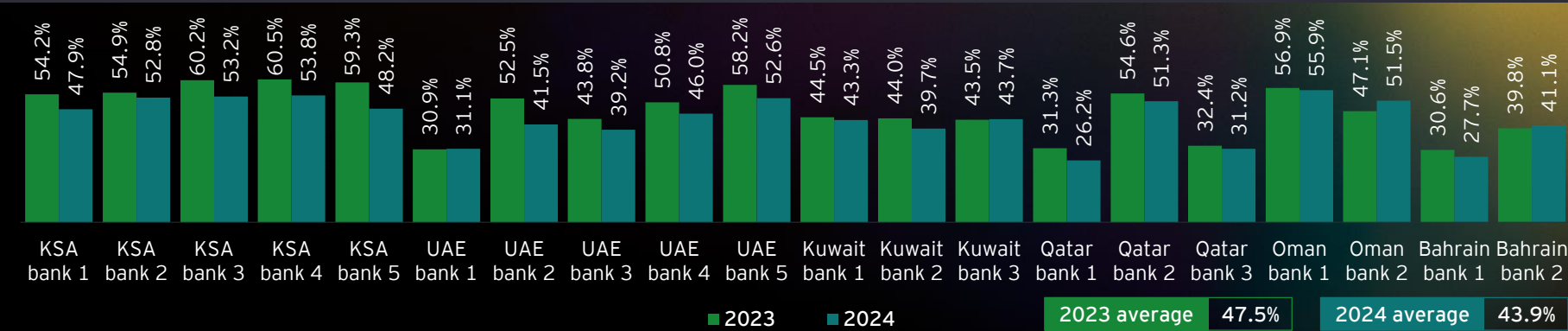
The role of banks in Central Bank Digital Currency (CBDC) innovation

3

Competitive landscape – 2024

GCC banks steering through margin hurdles amid fluctuating interest rates

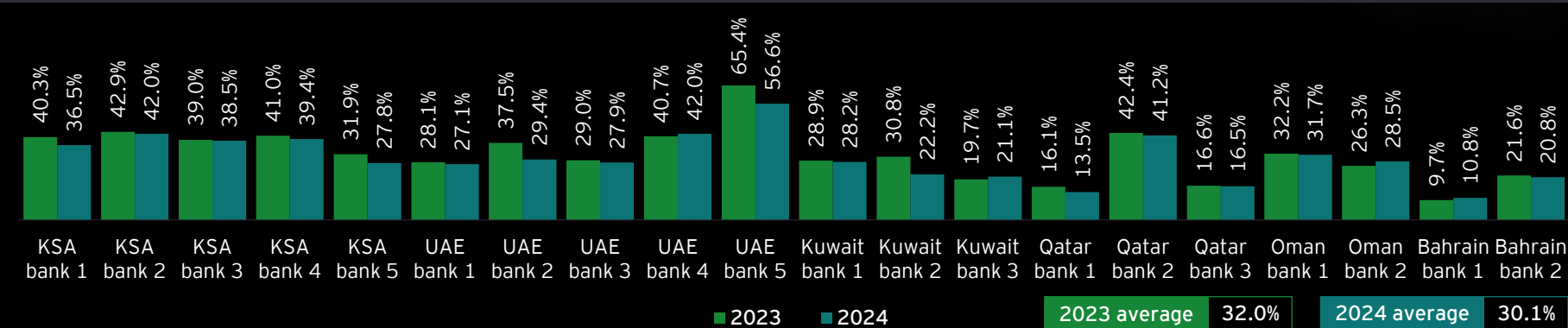
NII ratio



- The NII ratio declined in 2024 as rising funding costs in a high-interest environment outstripped asset yield growth.
- Expected US Federal Reserve rate cuts, likely matched by GCC central banks, are predicted to have a manageable impact on bank margins, varying by country.

Source: Financial statements, EY analysis

Net profit margin

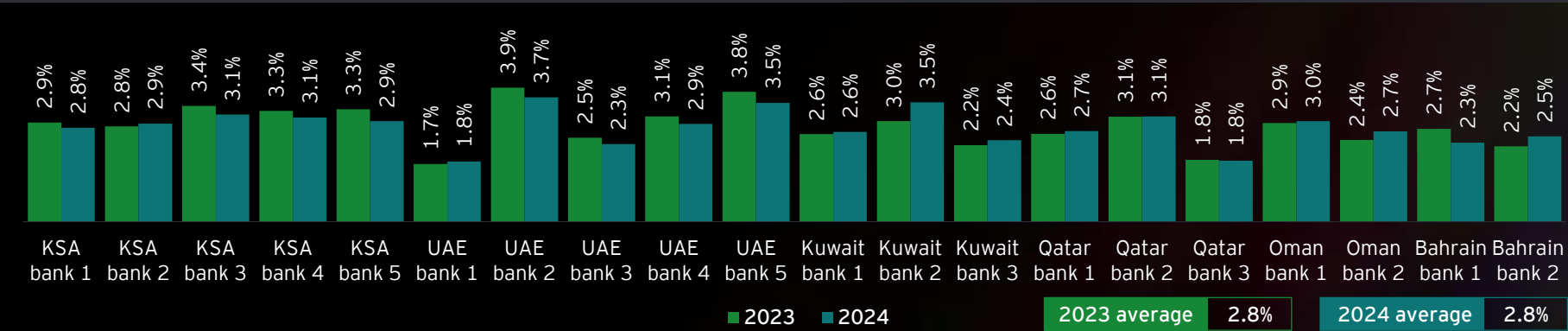


- The net profit margin dipped slightly in 2024 due to modest gains in net interest and non-interest income and climbing operating costs.
- GCC banks are projected to sustain robust profitability in 2025, albeit with a modest impact from lower interest rates. S&P estimates that, an interest rate reduction could affect GCC banks' profits, with an estimated 8% decrease in net income for every 100 bps cut.

Source: Financial statements of banks, EY analysis

Steady NIM reflects full adjustment to rate hikes; uplift in RoAE driven by profitability

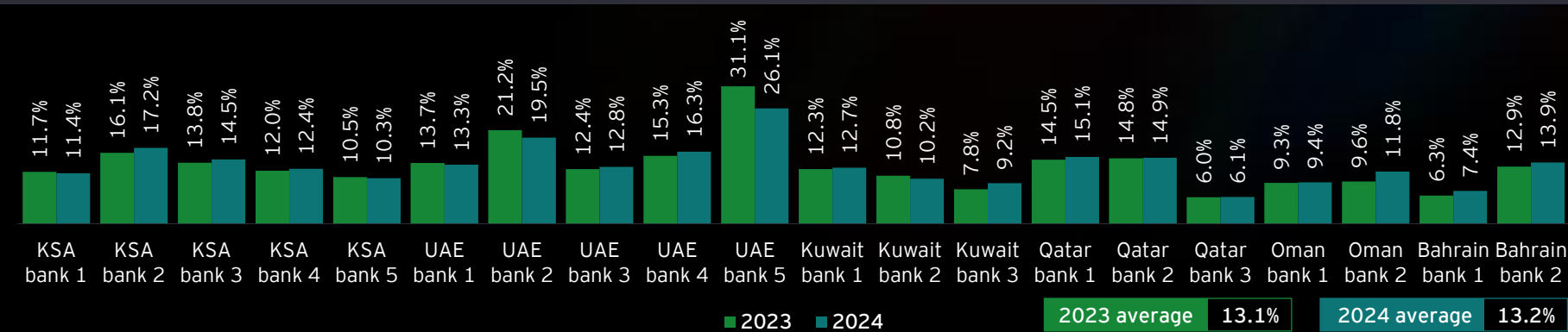
NIM



- The average NIM of banks in the GCC region has leveled off. This suggests that the NIM has reached its peak after considering the rising interest rates of the past quarters (Q1 2022 to Q3 2023).
- The ratio could face headwinds due to ongoing high funding costs and banks' strategies to attract deposits. A downward adjustment in interest rates may intensify the compression of the margin until reduced funding costs and an increase in lending counterbalance these effects.

Source: Financial statements, EY analysis

RoAE

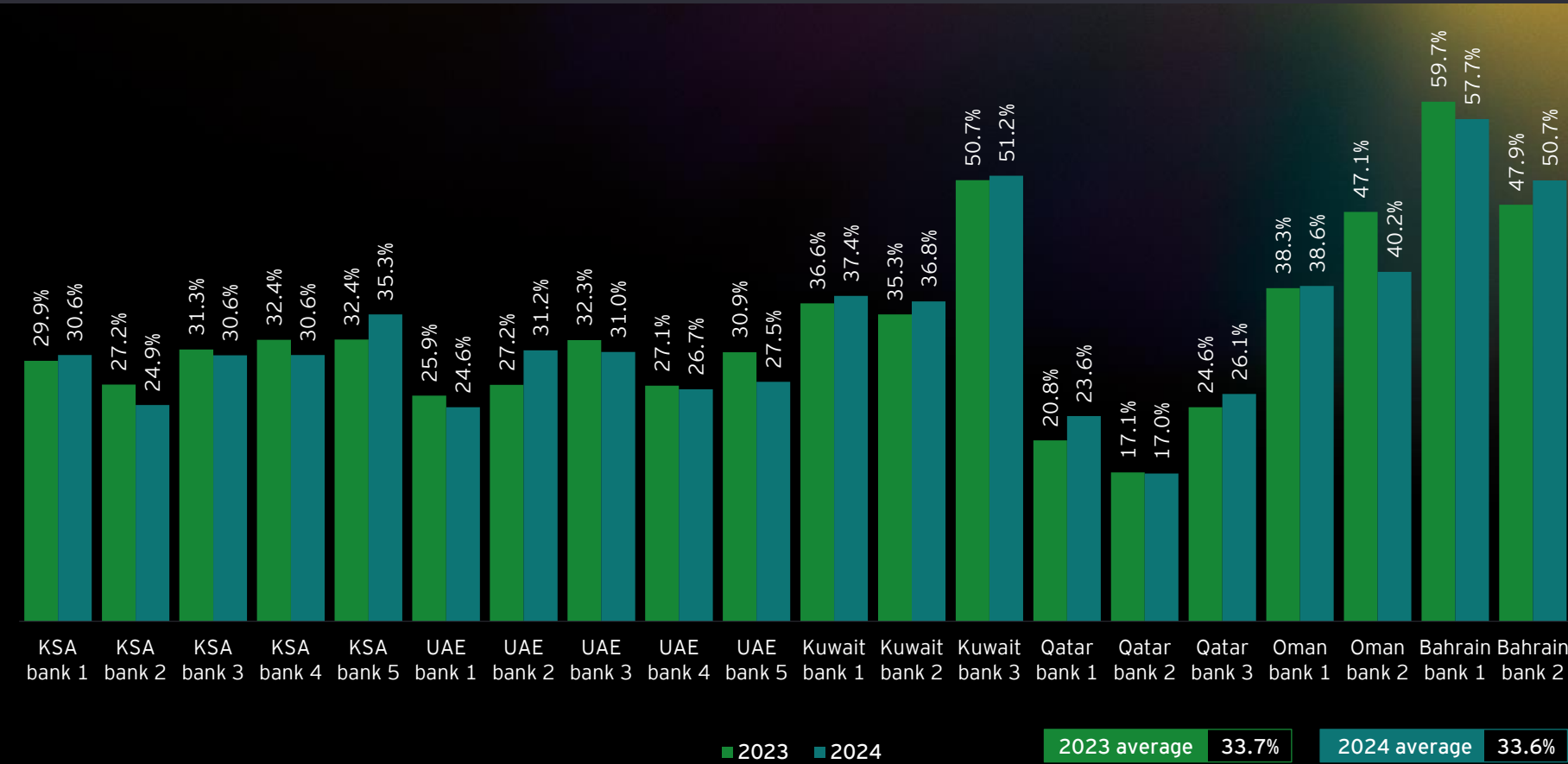


- In 2024, the RoAE for 14 banks experienced growth, leading to a marginal increase in the average ratio to 13.2%.
- Rate reductions in the US may boost the ratio in the short term by enabling lower-cost funding. Yet, maintaining consistent customer deposits is crucial, as any liquidity crunch could heighten dependence on more expensive debt financing.

Source: Financial statements of banks, EY analysis

Regional banks focus on cost management to soften the blow of tightening margins

Cost-to-income ratio

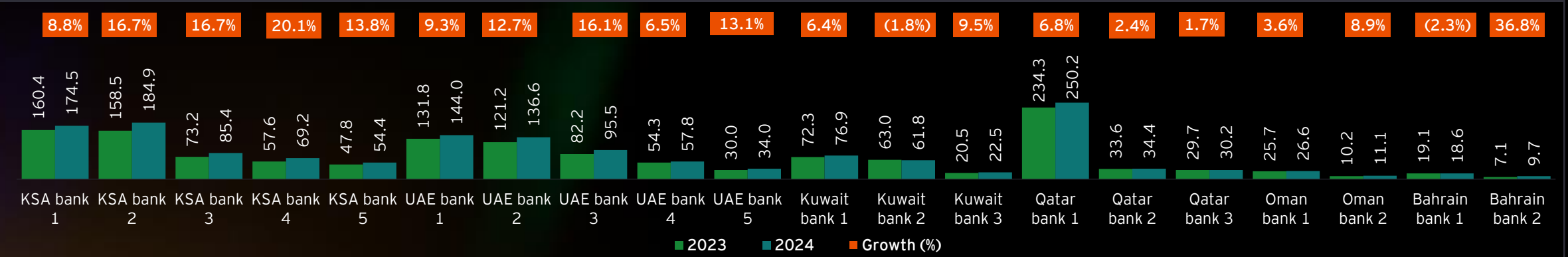


- In 2024, the average cost-to-income ratio saw a slight decrease on account of cost efficiency.
- The GCC banking sector's solid efficiency, underpinned by well-managed labor costs and ongoing digitalization, provides a stable platform for continued resilience through 2025.
- Cost optimization remains a key strategy for regional banks to counteract the pressure of contracting margins.

Source: Financial statements of banks, EY analysis

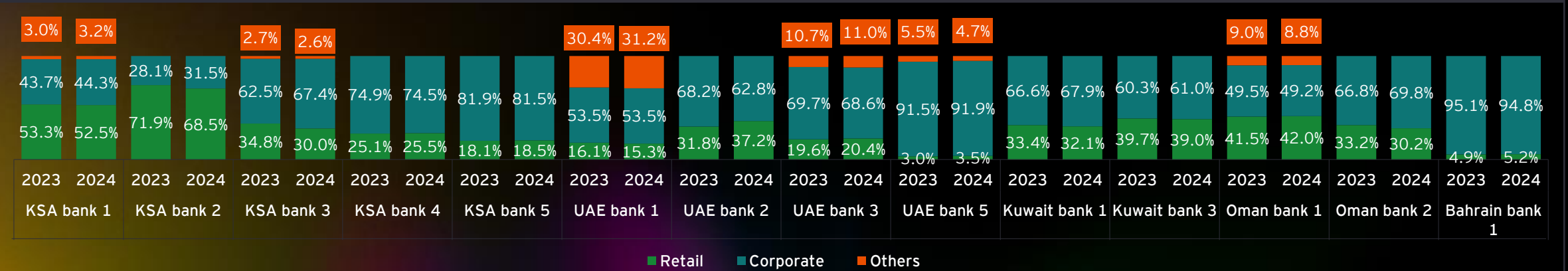
GCC banks set to expand lending portfolios

Total loan (US\$b)



Source: Financial statements, EY analysis

Loan mix

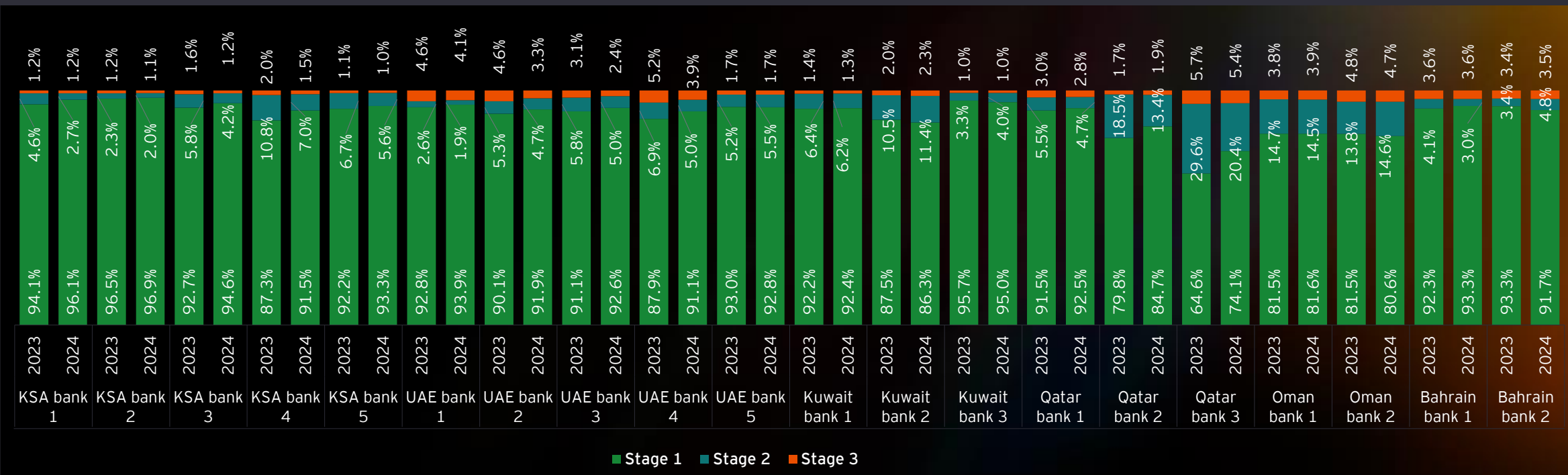


Note: Loan mix not available for UAE bank 4, Kuwait bank 2, Bahrain bank 2 and Qatar banks.

Source: Financial statements of banks, EY analysis

GCC banking sector gaining stability with decreasing stage 2 and stage 3 exposures

ECL (stage wise exposure)

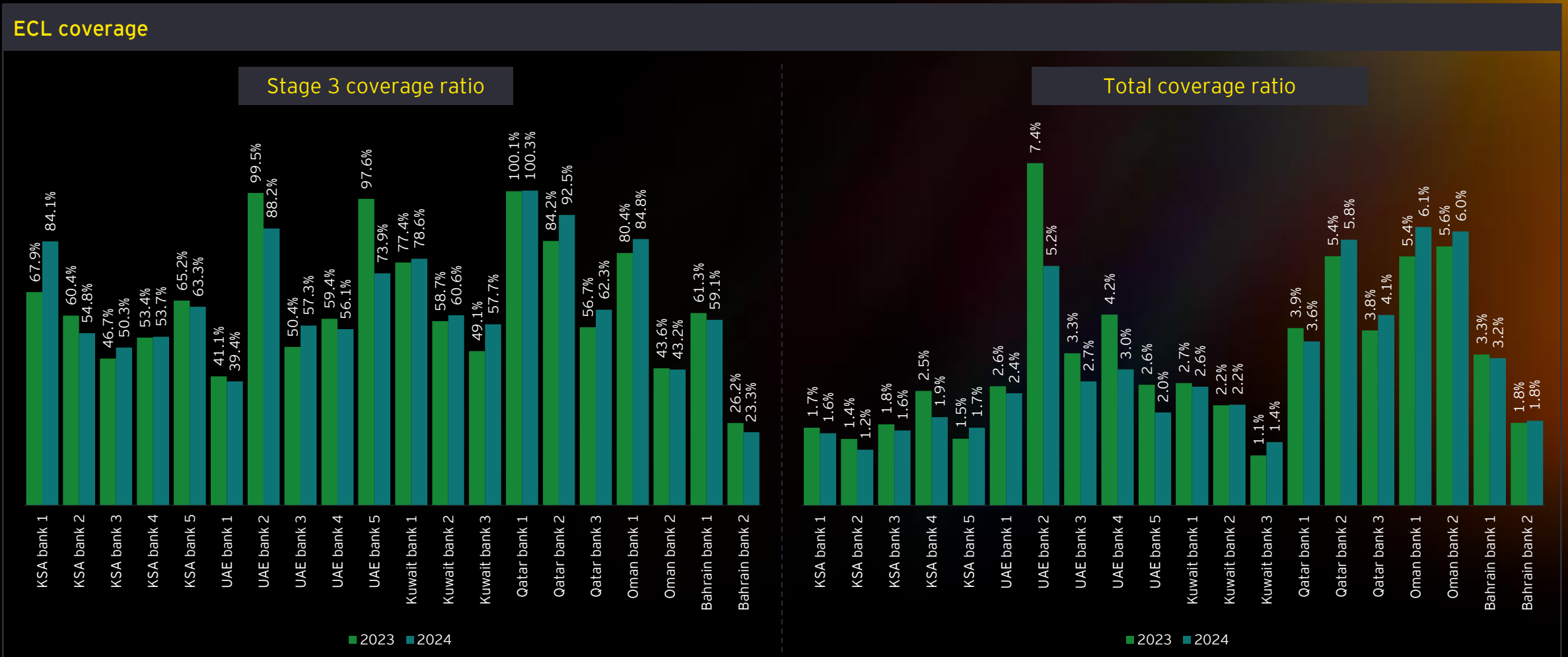


Source: Financial statements of banks, EY analysis

GCC banking snapshot for 2024

Since 2021, the GCC banking sector has been on a path to stabilization, strengthened by an economic upturn driven by higher oil prices and positive corporate developments. In 2024, a significant number of banks in the analysis experienced a decline in stage 2 and stage 3 loan exposures compared to 2023. This trend is attributed to the recuperation and subsequent reclassification of some stage 2 loans to performing status, as well as the write-off of stage 3 loans, suggesting that banks are proactively addressing problematic loans. Notably, real estate-related loans are prominent within the stage 2 and stage 3 categories.

GCC banks' stage-wise coverage holds firm with slight fluctuations

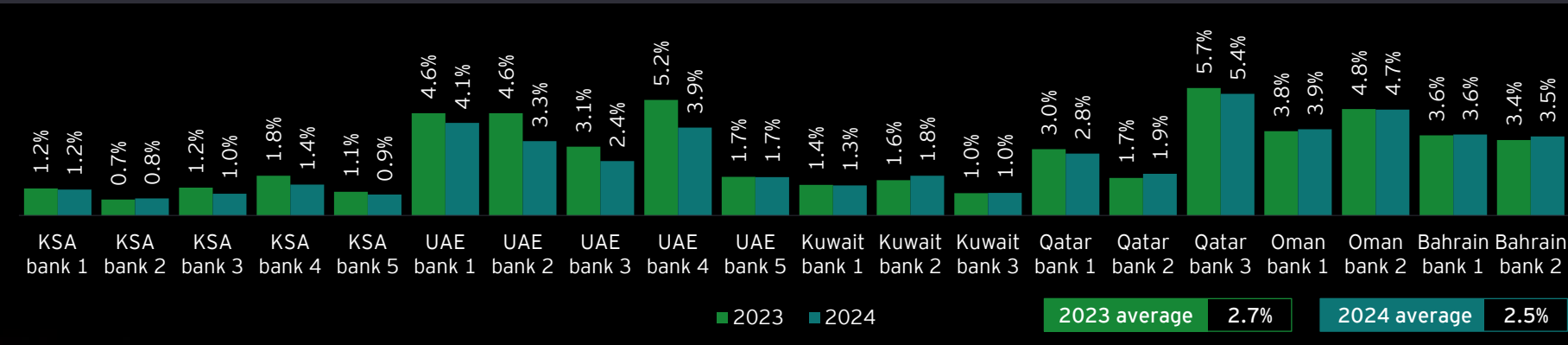


Source: Financial statements of banks, EY analysis

Source: Financial statements of banks, EY analysis

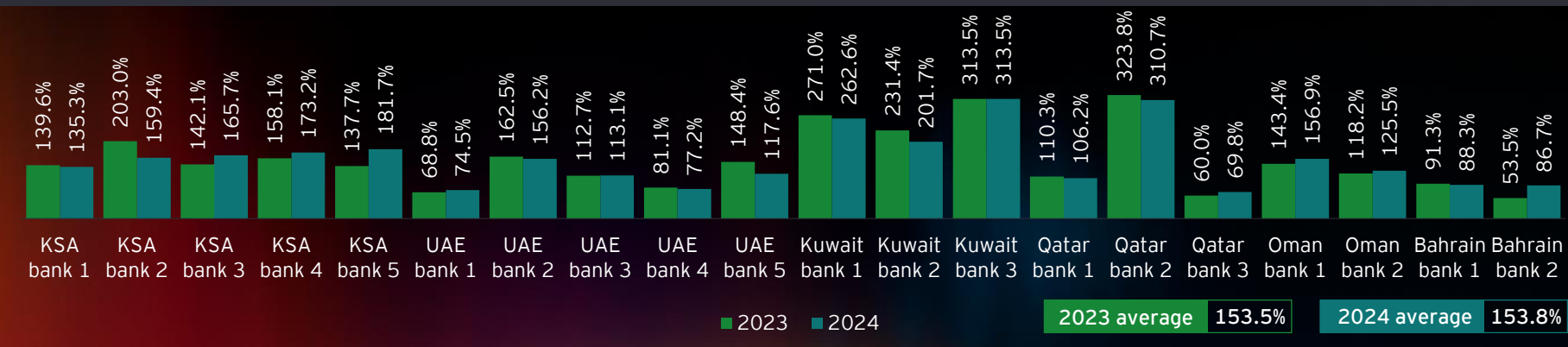
Asset quality remains robust with solid coverage ratios

NPL ratio



Source: Financial statements of banks, EY analysis

NPL coverage ratio

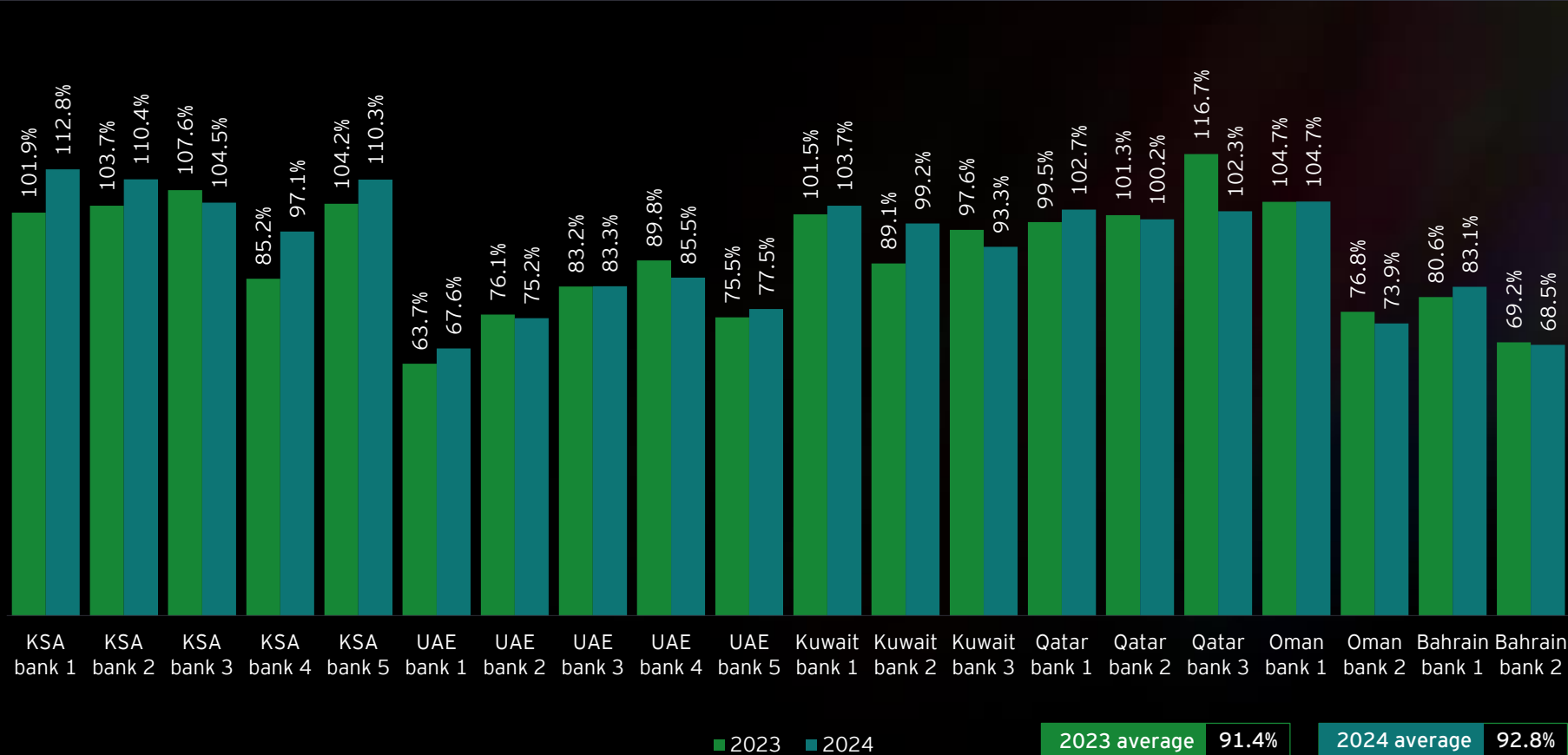


Source: S&P Capital IQ Pro

- The KSA banks stand out within the GCC region in terms of asset quality. They have achieved the lowest NPL ratios, with most banks showing y-o-y enhancements in 2024. The rigorous and careful regulatory approach significantly contributes to this robustness. The strong asset quality of the KSA banks is expected to continue in 2025, supported by a stable and healthy operating environment.
- NPL ratios of GCC banks improved, supported by regulatory measures. Additionally, precautionary provisioning has enabled the banks to maintain a healthy coverage ratio.
- Asset quality is expected to remain stable in the near term, supported by economic resilience, despite headwinds related to high real estate exposure portfolios.

Loan-to-deposit ratio stays elevated during the year

Loan-to-deposit ratio

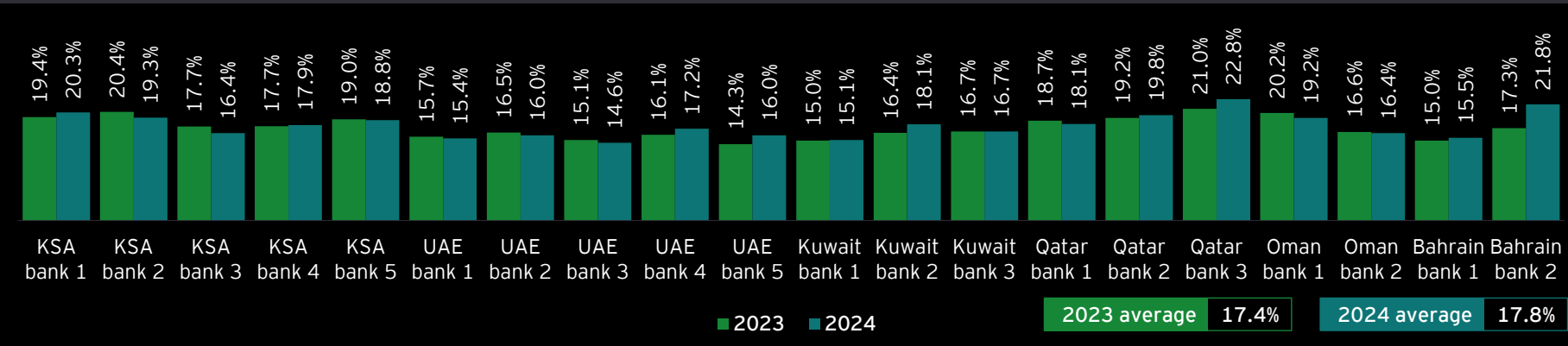


- The GCC banking sector's aggregate loan-to-deposit ratio has stayed above 80%, backed by strong lending growth throughout the region.
- Despite potential risks from regional conflicts, the sector seems well-prepared to handle both external and domestic private sector deposit withdrawals.
- The KSA banks' elevated ratios could lead to exploring alternative funding sources. By mid-2024, they transitioned to a net external debt position, a trend likely to continue. The outpaced loan growth may push the KSA banks to tighten their liquidity position.
- The UAE banks are well-positioned for future credit expansion, due to strong liquidity that has balanced loan and deposit growth.

Source: Financial statements of banks, EY analysis

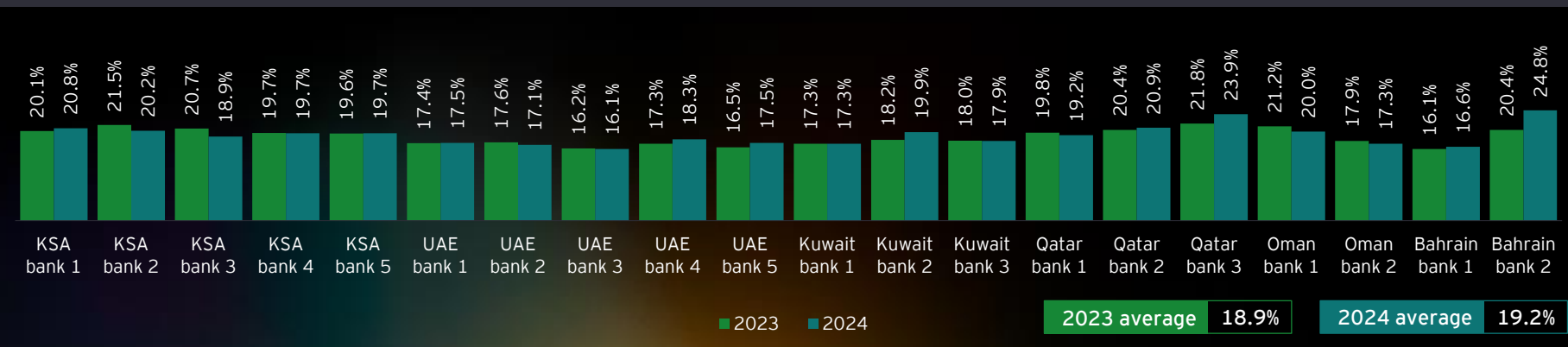
Robust capital buffers and government support propel GCC banking sector growth in 2025

Tier 1 ratio



Source: Financial statements, S&P Capital IQ Pro

CAR

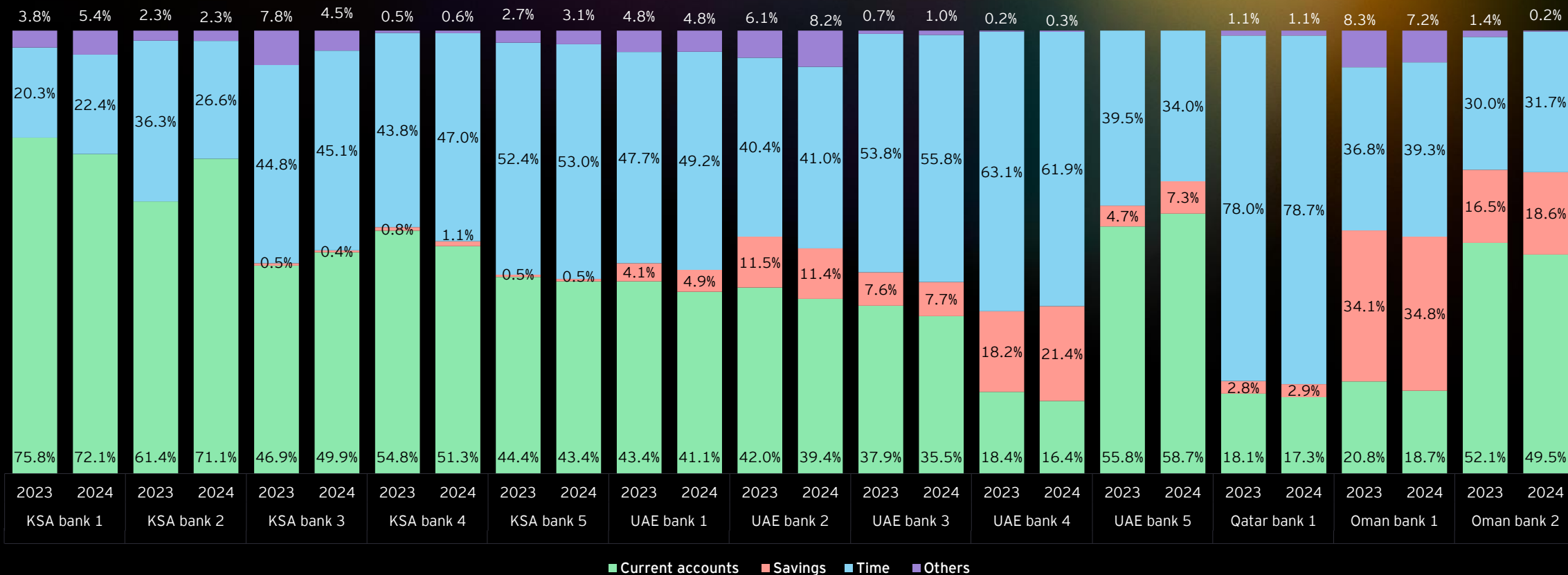


Source: Financial statements of banks

- GCC banks sustain high capitalization levels with an average tier 1 ratio of 17.8% and CAR of 19.2% in 2024, reinforcing their credit strength.
- Domestically sourced deposits, which have remained stable through challenging times including the COVID-19 pandemic, continue to be the mainstay for funding in the GCC banking sector.

Banks leveraging current account savings account (CASA) deposits boast higher profit margins

Deposit mix

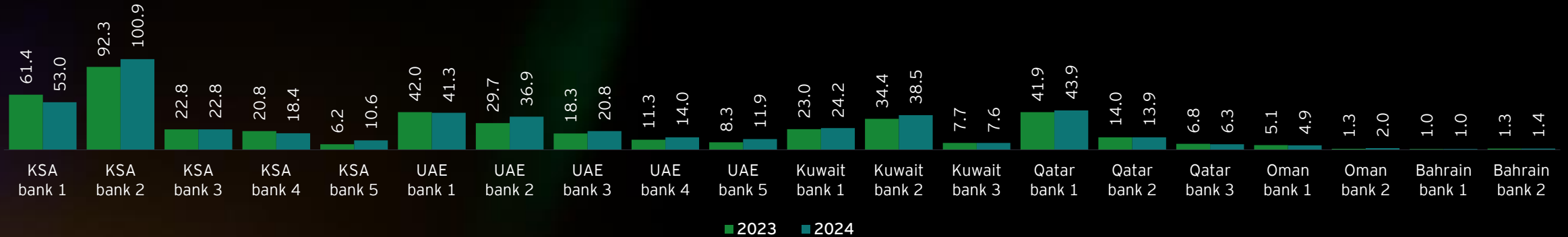


Note: Deposit mix not available for Qatar bank 2, Qatar bank 3, Kuwait banks and Bahrain banks.

Source: Financial statements of banks, EY analysis

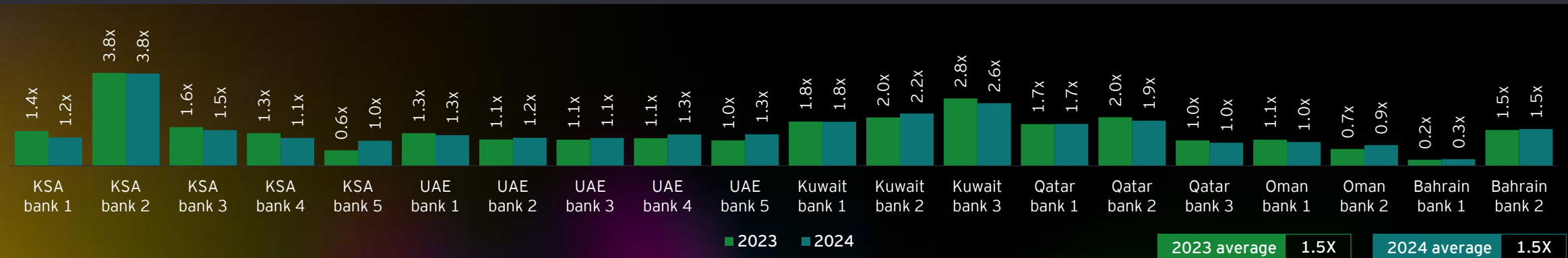
P/B levels remain stable in the GCC banking sector

Market capitalization (US\$b)



Source: Financial statements, EY analysis

P/B ratio



Source: S&P Capital IQ Pro, Financial statements of banks, EY analysis

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

The MENA practice of EY has been operating in the region since 1923. Over the past 100 years, we have grown to over 8,500 people united across 26 offices and 15 countries, sharing the same values and an unwavering commitment to quality. As an organization, we continue to develop outstanding leaders who deliver exceptional services to our clients and who contribute to our communities. We are proud of our accomplishments over the years, reaffirming our position as the largest and most established professional services organization in the region.

© 2025 EYGM Limited.
All Rights Reserved.

EYG no. 001690-25Gbl.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com