Redefining the CRO's Mandate in the GCC Banking Sector New Risk Era

A Strategic Roadmap for Navigating Increasing Disruptions Across Saudi Arabia, the UAE and Qatar

April 2026

For much of the past decade, Gulf Cooperation Council ("GCC") banks pursued "growth at all costs," underpinned by strong liquidity and high oil prices. By 2026, global quantitative tightening has already reversed those conditions, making capital efficiency and asset quality now the primary drivers of banks' institutional resilience.

While GCC banks are well capitalized, robust foundations cannot protect against a 'wait-and-see' approach. With tightening liquidity, rising pressure from regulators alongside macroeconomic, geopolitical and AI disruptions, the cost of inaction is higher than ever before.

For the Chief Risk Officer ("CRO"), this marks a turning point. The role must evolve from a defensive compliance-focused gatekeeper into a strategic partner to the business. In this new era, resilience is no longer defined by capital strength alone, but by the velocity of the balance sheet and the ability to propose real-time, risk-conscious, competitive propositions with the best customer experience.

What are the underlying drivers reshaping the risk landscape across Saudi Arabia, the UAE and Qatar? What are the critical trends that GCC banks' CROs cannot ignore? How can a transformation roadmap turn risk capabilities into a competitive engine that drives bottom line performance?

Strong Foundations in a Shifting Landscape

GCC banks enter this period of transition from a position of historical strength, with the Saudi banking sector reporting a regulatory capital ratio of 20% and non-performing loan ("NPL") to gross loan ratio of 1.1% at the end of Q3 2025, below pre-pandemic levels of 1.9%, supported by a general provisioning coverage of 150%.[1] Similarly, in the UAE and Qatar, capital buffers remain well above Basel III requirements. The UAE maintains a regulatory capital ratio above 17% and liquid asset to total liabilities ratio over 20% as of EoY 2025 while the Qatar Banking Stability Index is near its five-year peak, with 19.6% regulatory capital ratio as of EoY 2024.[2,3]

However, these figures mask a deeper structural change. Cost of funding is rising and banks fight for liabilities gathering. Risk cannot be managed in isolation. CRO's must now navigate a landscape in which tighter liquidity conditions influence asset quality and balance sheet decisions, and where the ability to manage capital efficiently is becoming a key differentiator between institutions that boost growth and those held back by regulatory constraints.

The Seven Trends GCC Banks' CROs Cannot Ignore

1. The Geopolitical Disruption

The deglobalization of the economy, re-routed supply chains for strategic reasons and regional tensions in the Middle East are now persistent features of the operating environment.

Traditional stress-testing frameworks built around idiosyncratic credit events are now insufficient. CROs must incorporate multi-dimensional scenario analysis that accounts for the interaction between geopolitical events, trade disruptions and fiscal policy, including:

- **Deglobalization:** companies building inventory buffers and diversifying supplier networks increase demand for working capital facilities precisely when credit spreads widen.
- **Trade route disruptions:** Events like the Strait of Hormuz closure lead to liquidity pressure and capital outflows and require enhanced cyber-defense frameworks as digital infrastructure becomes a primary target for non-financial disruption.
- **Oil price volatility and regional risk:** These risks can manifest as a persistent regional risk premium embedded in GCC sovereign debt yields, making long-term funding more expensive.

2. The Interest Rate Curve Distortion

Potential further Fed rate cuts may force GCC central banks to follow suit, given the currency pegs, yet longer-dated GCC debt yields could widen due to the increased regional geopolitical risk premiums. This would trigger a bear steeping of the yield curve, making some banks face a structural 'scissor effect'.

In this scenario, anticipated policy rate cuts would likely reprice floating-rate corporate assets downward, eroding Net Interest Margins ("NIMs"). Simultaneously, the widening GCC sovereign spreads and elevated term premiums would keep wholesale funding costs high. The second order effect would then be an asset-liability mismatch, as banks with long-dated fixed-rate assets risk facing negative carry as they are forced to roll over higher yielding shorter-term funding.

As derivative markets in the GCC lack the depth to absorb large-scale hedging demand, mitigation strategies must shift from simple hedging to dynamic balance sheet optimization. This will require CROs to implement real-time, scenario-based Asset Liability Management ("ALM") modelling that stress-tests NIM sensitivity across multiple rate paths, integrated with capital planning to ensure margin compression doesn't erode capital generation capacity.

3. The $1 Trillion "Untested" Portfolio and the Maturity Cliff

Although more acute in Saudia Arabia and the UAE than in the rest of the GCC, a significant yet often overlooked, challenge is the significant volume of new lending originated between 2020 and 2025 – estimated at approximately $1 trillion.[4] This vast portfolio was underwritten in a period of record-low interest rates and has yet to be tested by a full economic cycle. A critical subset of this is the mortgage boom in Saudia Arabia, where many products are now entering their five-to-seven-year inflection point – the historical window where default risks typically spike. As these portfolios season in a higher-for-longer interest rate environment, risk departments must move beyond simple delinquency tracking. They require a more sophisticated view of the maturity curve to identify stressed cohorts – including step-up loans whose debt burden ratios can suddenly spike and stress the solvency of borrowers – before they hit the NPL register.

4. The Liquidity Gap

Specific to Saudi Arabia, the funding intensity required to sustain Vision 2030 giga-projects has caused a structural tightening of liquidity, with Loan-to-Deposit ("LTD") ratios in Saudia Arabia now consistently exceeding 100%, up from the 85-90% range seen only a few years ago.[5]

Sovereign issuances to fund Vision 2030 deficits (SAR 245 billion in 2025, SAR 165 billion in 2026), combined with the risk of contracting international issuances due to regional insecurity, can risk crowding out already-constrained domestic liquidity, compressing private sector access to capital.[6]

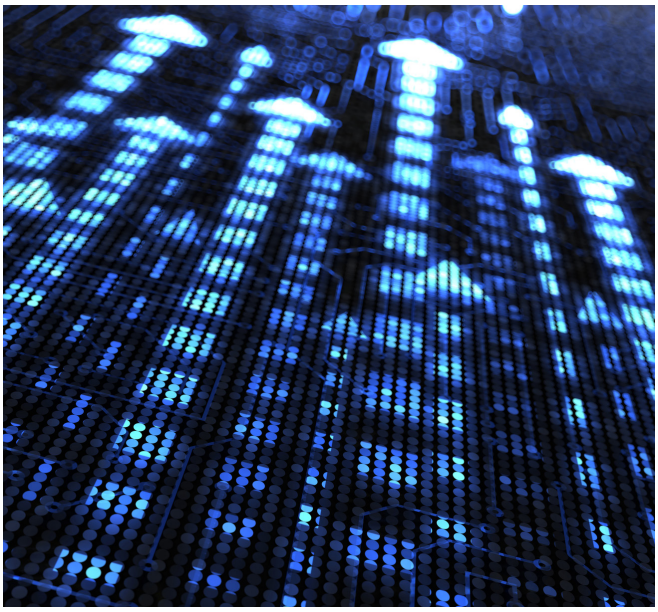
Against today's increasingly complex balance sheet environment, most advanced banks are increasingly challenging the limits of the traditional buy and hold model, relying instead on a range of risk transfer and funding models supporting a more flexible tailored balance sheet management approach. Rather than abandoning buy and hold, leading institutions are adapting it, embedding Originate to Distribute channels, Asset Backed Securities ("ABS") based funding and capital optimizing significant risk transfer ("SRT") structures into core, business as usual balance sheet management. This approach is the result of a forward looking strategy, designed to enhance flexibility, maintain market access, and manage capital and liquidity more dynamically.

For the risk function, this shift requires a fundamental upgrade in underwriting standards to meet the investor ready expectations of global asset managers. This means moving beyond point in time credit assessments toward a data rich underwriting framework built on standardized documentation, granular asset level performance reporting and tighter alignment of local covenants with international capital markets benchmarks.

Critically, this evolution elevates forward-looking stress testing as a prerequisite for decision-making. Risk functions must complement credit analysis with scenario-based portfolio modelling that captures liquidity dynamics, rate volatility and valuation impacts, anchoring underwriting, capital allocation and distribution decisions in a unified risk view.

5. The Fintech Challenge

Traditional banks are facing increasing pressure from agile Fintech challengers who are often unburdened by legacy infrastructure. These players are increasingly piloting and scaling up AI-enabled tools for real-time



credit scoring and automated onboarding far more aggressively than many Tier 1 incumbents. For banks, the threat is twofold, they face a loss of market share in high-margin segments and a "tech-gap" that makes their own risk processes appear sluggish and bureaucratic.

6. The "Digital-First" Regulatory Architecture

Regulators across the GCC have moved from being passive supervisors to becoming digital architects, with a clear objective of embedding real-time oversight into the core of bank operations:

- In the UAE, the Central Bank of the UAE ("CBUAE") aims to adopt supervisory technology to monitor institutional risk in real-time through the SupTech initiative as part of its financial infrastructure transformation program.[7] The new Banking Law , which will be fully effective from September 2026, will also soon mandate that banks open their digital rails to oversight.[8] It will formalize the CRO veto over material decisions, placing personal accountability directly on the risk lead.
- In Saudi Arabia, SAMA's recent amendments on data granularity and automated regulatory reporting effectively ends the era of manual adjustments. Banks must now implement automated regulatory reporting providing the Central Bank with direct visibility into the bank's ledger.[9]
- In Qatar, the Qatar Central Bank ("QCB") is rolling out its Strategic Plan for Financial Sector Regulation (2024-2030), which emphasizes "SuperTech" integration. Banks in Qatar are increasingly required to provide high-frequency, granular data feeds to the regulator to support systemic risk monitoring.

The maturation of RegTech is in fact gradually resetting the supervisory landscape, where regulators are no longer content with periodic and manual reporting. This could force incumbents to invest in legacy modernization simply to maintain compliance parity with the very RegTech tools that their challengers are building into their core. Those institutions that will be unable to automate their risk infrastructure will see their cost-to-income ratios inevitably widen.

7. The ESG Imperative

GCC banks are compelled to change their risk operating model to cope with the new ESG regulation. For example, in the UAE, the Federal Decree-Law No. 11 sets a May 2026 deadline for mandatory greenhouse gases ("GHG") reporting, moving ESG into core credit risk. In Saudi Arabia, while formal policy measures remain at a nascent stage, SAMA's focus on capacity building for climate-related financial risks is a clear signal to the market. Banks are increasingly expected to proactively align their lending with the Saudi Green Initiative ("SGI").[11]

Qatar is probably the GCC country facing the deepest challenge when it comes to ESG, given the high proportion of Qatari bank assets concentrated in public sector or energy-linked entities. As the global move toward decarbonization accelerates, Qatari banks face the long-term risk of their public sector corporate borrowers' assets becoming "stranded" or requiring massive re-capitalization to meet global climate standards. Banks are also facing increasing cost of compliance as the QCB's ESG Reporting Guidelines (effective January 1, 2026) mandates that financial institutions report in alignment with IFRS S1 and S2 standards and forces an overhaul of credit scoring models to account for the energy intensity of their large-scale industrial borrowers.[12]

Redefining the Banking Risk and Compliance Function

In 2026, the mandate for Risk and Compliance functions is evolving. While traditional enterprise risk management ("ERM") frameworks provided the essential scaffolding for bank safety, the current environment demands a more dynamic and integrated approach. To be future proof, the function must pivot from being a defensive gatekeeper to becoming a driver of risk-adjusted returns in real-time.

A future-proof Risk & Compliance function is built on a foundation of predictive intelligence – leveraging advanced analytics ("AA") and AI to "see around corners" – and capital velocity, where capital efficiency directly fuels business growth. By breaking down the silos between risk, compliance, finance and business units, the modern CRO moves to the forefront of the bank's strategy, ensuring that strategic moves are underpinned by demonstrable resilience.

This evolution requires a re-calibration across six critical dimensions to consider as part of a Risk & Compliance transformation program in the current context.

Dimension	From Compliance-Focused practice …	… To Best, Decision-Focused practice
1. Risk Identification & Foresight	Focus on a limited subset of traditional risk types (e.g., credit, market); providing limited insight into root causes or foresight. Nonfinancial (e.g., Geopolitical) and operational risks treated as external events, managed loosely if at all.	Clarity on top risk-drivers, regularly refreshed insight into root causes, indirect effects, and early warning signals; dynamic stress testing used to identify material scenarios, integrated into ongoing capital planning and budget setting.
2. Risk Appetite & Strategy	Limited explicit decisions on risk ownership; lacking company-wide process for cascading appetite.	Risk ownership based on capacity and strategic aspirations; capacity and appetite unambiguously defined and cascaded, with intra-year assessments in response to changes in environment and ROE optimization requirements.

3. Risk Processes	Limited link between risk analysis and key decision processes; characterized by manual, non-efficient workflows.	Risk analysis performed in conjunction with strategic and operational decisions; processes digitized, efficacy-driven, leveraging open banking and offering immediate decision making.
4. Data Integrity	Fragmented, inconsistent data preventing effective evaluation; reports sometimes delayed and difficult to reconcile.	Priority to a "single source of truth" for reporting, along a uniform business and product taxonomy; eliminated silos.
5. Risk Org & Governance	Perceived as a bureaucratic exercise managed by a small group; board-focused rather than business-integrated.	Management priority where business lines take explicit ownership of 1st line of defense; risk perceived as core to creating shareholder value and business resilience.
6. Risk Culture	Treated as a "fuzzy" concept; sales remain the primary driver of performance without regard for risk impact.	Explicit action plans to strengthen culture; all 3 lines of defense trained to think in terms of risk vs. return at the single transaction and portfolio levels.

By evolving toward this value architecture, the CRO ensures that the bank is not simply complying with the current regulatory requirements but is actively building the infrastructure required amidst the shifting business cycles, digital disruptions, regulators' requirements, geopolitical shifts and economic uncertainties of tomorrow.

Turning Theory into Impact: Successful Risk & Compliance Turnarounds in Action

Case Study #1: Digital Transformation of Credit Underwriting

Situation: A large consumer lending provider was facing significant operational strain. Their environment was highly regulated, yet burdened by manual workflows and fragmented, legacy technology that slowed down risk decisioning and hindered growth.

Transformation: The lender deployed an expert-led team to bridge the gap between complex operational risk issues and actionable AI-enabled solutions. By focusing on technology enablement and enterprise risk management, automating critical underwriting tasks such as risk assessment and credit report drafting to replace legacy manual processes.

Impact: The result was tangible, with measurable performance improvements across the credit lifecycle:

- 70% reduction in time-to-yes/cash by streamlining credit decision logic.
- 50% reduction in manual underwriting effort through automation.
- 30% reduction in fraud instances through upstream, real-time detection.
- 15% reduction in new early collections cases and 10% boost in early collections rollbacks via refined segmentation and improved early-warning signals.

Case Study #2: Originate-to-Distribute & Balance Sheet Agility

Situation: A bank with high Loan-to-Deposit ("LTD") ratio faced a regulatory ceiling on growth. They were heavily constrained in new loan origination without hitting capital adequacy limits.

Transformation: The bank implemented a formal Originate-to-Distribute ("OtD") strategy, re-engineering their underwriting operating model to meet international "investor-ready" standards. By adopting an "originate and collaborate" approach, they were able to package and sell portions of their corporate loan book to non-bank financial intermediaries shortly after origination.

Impact: This "asset-light" approach allowed the bank to recycle its capital faster through the distribution of over 30% of their new loan issuances, increasing their fee income from origination and servicing while reducing the RWA density on their balance sheet, providing enough capital room to grow without needing to raise expensive equity.

Case Study #3: Enterprise Risk Management Transformation

Situation: A Tier 1 commercial bank operated with mature risk frameworks across individual disciplines yet lacked an integrated view of its economic performance and structural vulnerabilities. Traditional credit, market, and operational risk metrics provided only a partial picture, while earnings shocks revealed misalignments between economic value drivers, accounting outcomes, and prudential constraints. Without a unified economic lens, some structural risks went unrecognized, and value creation opportunities were constrained.

Transformation: A new ERM style risk function was established to create a holistic, economically coherent understanding of the bank's performance drivers. A deep vulnerability assessment expanded the focus beyond conventional financial risks to include structural and economic sensitivities. Risk and Finance redesigned Funds Transfer Pricing (FTP) models, hedging strategies and steering mechanisms, to better reflect true economic costs and benefits as well as to minimize volatility of prudential ratios. This integrated approach repositioned risk management from a control centric function to a strategic enabler of sustainable profitability and informed forward looking decisions.

Impact: The bank gained a comprehensive view that synthesized economic, accounting, and prudential dimensions into a single, actionable risk and performance framework. Risks could be managed proactively, and structural choices could be evaluated through a clearer understanding of their long term economic impact. By embedding prudential metrics and economic realities into day to day steering, risk management strengthened its role in guiding sustainable profitability and informed value creation. The resulting framework became a foundation for improved risk return insight and more impactful strategic outcomes.

Conclusion

Banks will pull ahead when they compress credit cycles without loosening discipline, catch stress before it becomes a loss, price climate risk before regulators force the issue and deploy AI at scale with full auditability. Those that don't will spend the next decade managing yesterday's risks while writing off tomorrow's opportunities. The CRO mandate has changed, it's time to act.

Endnotes

[1] "SAMA Monthly Bulletin," Saudi Central Bank (January 2026) https://www.sama.gov.sa/en-US/EconomicReports/pages/monthlystatistics.aspx

[2] "CBUAE Banking Indicators," Central Bank of the UAE (December 2025) https://www.centralbank.ae/en/research-and-statistics/#!#Statistics%20Projects

[3] "Financial Stability Report 2024," Qatar Central Bank (2024) https://www.qcb.gov.qa/PublicationFilesReportsAndStatementsGovernance/QCB%20-%20Financial%20Stability%20Report-2024-E%20-V17.pdf

[4] FTI Consulting analysis of gross new lending derived from difference in Saudia Arabia, UAE and Qatar banking industry loan books from 2020 to 2025 of $700 billion (per the data sourced from the relevant central banks), complemented by an estimated $300 billion churn rate over the same period, due to schedule amortization, early repayments and write offs.

[5] Supra 1

[6] "Budget 2026," Ministry of Finance, Saudi Arabia https://www.mof.gov.sa/en/budget/2026/Pages/Home.aspx

[7] "The CBUAE enhances SupTech initiative as part of its Financial Infrastructure Transformation Programme," Central Bank of the UAE (April 25, 2024) https://www.centralbank.ae/media/z0xbwybu/the-cbuae-enhances-suptech-initiative-as-part-of-its-financial-infrastructure-transformation-programme-en.pdf

[8] Federal Decree-Law No. (6) of 2025 regarding the Central Bank, Regulation of Financial Institutions and Activities and Insurance Business

[9] "Banking Rules And Instructions," SAMA https://www.sama.gov.sa/en-US/RulesInstructions/pages/bankingrulesandregulations.aspx

[10] "Third Financial Sector Strategic Plan," Qatar Financial Centre Regulatory Authority https://www.qfcra.com/strategy/#:~:text=Issued%20by%20the%20Qatar%20Central,with%20the%202030%20National%20Vision

[11] "Financial Stability Report 2023," SAMA https://www.sama.gov.sa/en-US/EconomicReports/Financial%20Stability%20Report/Financial%20Stability%20Report%202023.pdf

[12] https://www.qcb.gov.qa/Documents/GreenFinance/Sustainability%20Reporting%20Framework.pdf, QCB https://www.qcb.gov.qa/Documents/GreenFinance/Sustainability%20Reporting%20Framework.pdf

AURELIEN VINCENT
Senior Managing Director,
Strategy & Transformation, Financial Services
aurelien.vincent@fticonsulting.com

JULIEN WALLEN
Senior Managing Director,
Corporate Finance and Restructuring, Financial Services
julien.wallen@fticonsulting.com

PHILIPP FLOCKERMANN
Managing Director,
Corporate Finance and Restructuring, Financial Services
philipp.flockermann@fticonsulting.com