








Stabilizing balance sheets, protecting portfolios, and capturing new opportunities

The current geopolitical escalation is introducing a new layer of uncertainty for financial institutions across the GCC. While the banking sector enters this period from a position of strength, supported by robust capitalization (CAR ~16–20%) and ample liquidity (LCR >140%), a prolonged conflict could materially affect operating conditions.

Potential disruptions to key logistics routes, particularly the Strait of Hormuz, through which over 20% of global oil supply transits, are heightening concerns around trade flows, supply chains, and broader economic stability. While corporates can absorb short-term shocks, an extended disruption would likely increase reliance on bank funding and sovereign support. In parallel, retail banking growth may soften as deposit stability becomes more uncertain and borrowing demand moderates.





Governments provide timely support to financial sector by strengthening liquidity and easing regulatory pressures. However, banks still look to safeguard liquidity, maintain operational resilience, and manage emerging risks, while also leveraging the disruption to deepen client relationships, capture new opportunities, and reposition strategically.

Key pressures shaping the banking sector

 Liquidity & funding	 Trade finance	 Credit quality	 Security & resilience	 Counterparty & cross-border risk
<p>Liquidity dynamics are tightening as corporates draw on committed facilities to build precautionary cash buffers alongside more constrained global funding conditions and pressure on sukuk and bond issuance. There is also a potential retail deposit migration. This may lead to higher funding costs and reduced access to external liquidity.</p>	<p>Shifts to alternative trade corridors and disruptions in settlement flows are increasing complexity in trade execution. This leads to higher demand for short-term trade finance; increased utilization of import facilities; and higher operational burden in processing transactions, managing documentation, and ensuring continuity of cross-border payments.</p>	<p>Over the medium term, the more structural risk lies in credit quality. Sectors reliant on global supply chains, imported inputs, or foreign capital, may come under pressure. While the impact may be gradual, it could become more pronounced as regulatory support measures unwind, requiring proactive portfolio monitoring and early intervention.</p>	<p>Security and operational resilience are emerging as critical concerns. Banks across the GCC have faced service disruptions linked to the conflict, alongside heightened cyber threats targeting financial systems. This is driving a stronger focus on cybersecurity, system redundancy, and business continuity to ensure uninterrupted operations.</p>	<p>Cross-border exposures are becoming more volatile, with rising risks related to correspondent banking relationships, sanctions compliance, and potential disruptions in settlement flows. Banks are facing increased scrutiny on cross-border transactions, while ensuring continuity of international payments and maintaining access to financial networks.</p>

Strategic response: how regional banks are responding with resilience

In response to these pressures, banks across the GCC are shifting from growth-led strategies toward resilience, control, and selective opportunity capture.

1 	<p>In the immediate term, financial institutions are establishing centralized crisis governance structures, enabling real-time monitoring of liquidity, funding access, trade disruptions, and operational risks. These structures support faster decision-making and clearer escalation pathways in a rapidly evolving environment.</p>
2 	<p>Banks are intensifying liquidity, credit, and cross-border risk management through stress testing (e.g., 10-20% deposit outflows, funding disruptions, FX volatility) and refined contingency funding plans, while strengthening controls around correspondent banking, sanctions compliance, and cross-border payment flows.</p>
3 	<p>Bank are taking a more active role in stabilizing supply chains by selectively scaling SCF programs, monitoring trade risks, and introducing risk-adjusted pricing frameworks, and supporting clients in reconfiguring supply chains and accessing new trade corridors.</p>
4 	<p>Cost discipline is a parallel priority. As revenue growth moderates, banks are accelerating efforts to improve operational efficiency in both retail and wholesale banking through process simplification, targeted cost optimization, and increased use of digital and data-driven tools.</p>



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Emerging opportunities in a new market environment



High-demand products

Demand for wholesale solutions, such as inventory finance, trade credit insurance, and risk hedging, is rising. Retail demand for refinancing, short-term financing, and capital protection products is also increasing as clients prioritize liquidity.



New markets & corridors

The reconfiguration of global trade flows is opening new corridors, particularly across South and East Asia, Central Asia, and Africa. GCC banks can support clients in accessing these markets and positioning to capture incremental growth.



Investment opportunities

Well-capitalized GCC banks, supported by strong sovereign backing, are well positioned for selective investments and acquisitions, particularly in markets or sectors where valuations have been affected by the regional conflict.

How A&M can support financial institutions in the current environment

Alvarez & Marsal supports banks through a structured, three-phase approach addressing immediate risks and longer-term value creation:



For GCC banks, this environment represents a pivotal moment. Financial institutions that act early to strengthen balance sheets, proactively manage risk, and support clients through disruption will not only safeguard their positions, but also unlock new avenues for growth and enhance their competitive standing over the medium to long term.

By combining deep sector expertise with a hands-on approach, A&M enables financial institutions not only to navigate the current disruption, but to emerge more resilient and better positioned for future growth.



GCC Banking: Sustaining Momentum



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