Qatar Banking Sector report
January 2025 - March 2026

July 2026

Introduction

As Qatar's financial sector enters a new phase of growth, led by digital transformation, its banking industry continues to demonstrate resilience, adaptability and strategic relevance. In 2025, Qatari banks delivered solid balance sheet expansion, with assets, lending and deposits all growing despite a softer rate environment and continued global uncertainty. This reflects the sector's ability to support economic activity while maintaining strong capital buffers, stable funding profiles and disciplined credit risk management.

The year also marked a shift in the sector's earnings dynamics. While operating income continued to grow, profitability showed signs of normalisation as margin pressure, higher operating costs and increased tax charges offset part of the improvement in pre-tax performance. Net interest margins declined in FY2025 versus FY2024, reflecting the impact of lower benchmark rates, sticky funding costs and competitive deposit pricing. The first quarter (Q1) 2026 results also indicate that margin protection remains an important priority as banks operate in a softer rate cycle.

This margin environment should be viewed in the context of Qatar Central Bank's (QCB) 2025 policy-rate reductions, aligned with the broader global easing cycle and Qatar's US dollar peg. Rate decisions on 17 September, 29 October and 10 December 2025 brought policy rates to approximately 3.85% for deposits, 4.35% for lending and 4.10% for repo by early 2026, reinforcing the need for banks to manage asset repricing, funding costs and balance sheet sensitivity.

While strong financial performance remains important, banks in Qatar are now under growing pressure to improve productivity, deepen customer relationships and modernise their operating models. Artificial intelligence has now emerged as a key transformation layer across banking operations, with opportunities to enhance customer servicing, credit workflows, compliance, operations and decision-making. However, scaling AI responsibly will require strong governance, solid data foundations, human oversight and alignment with Qatar's broader digital ambitions.

Operational resilience has also become increasingly important in an environment shaped by regional uncertainty, cyber risks and growing reliance on digital infrastructure and third-party providers. Banks must ensure that critical services remain available under stress supported by effective crisis management, business continuity planning and clear governance. In parallel, tokenisation is emerging as a new layer of financial market infrastructure. By representing regulated, asset-backed instruments as digital tokens, banks can modernise how assets are issued, held, transferred and settled, creating opportunities to improve efficiency, transparency, liquidity and distribution across capital markets.

Qatar's banking sector remains well positioned, supported by strong fundamentals, regulatory momentum and continued alignment with national priorities. As the market transitions into a softer rate cycle, future outperformance will depend on the ability of banks to protect margins, deepen digital capabilities, enhance resilience and convert innovation into sustainable value for customers, shareholders and the wider economy.

Ahmed Al Kiswani

Regional Financial Services Leader, Partner
PwC Middle East

01 FY 2025 and Q1 2026 Financial sector performance

Executive summary

In 2025, Qatar's financial sector demonstrated resilience and growth amid global economic uncertainties and rising interest rates. The banking sector's performance highlights strong asset growth, increased lending activities and effective risk management, positioning it well for future challenges and opportunities.

Balances

Listed national banks for Qatar continued to expand at a healthy pace, with total assets increasing by 7.9% year on year to QAR2.36trn in FY2025, supported by strong growth in gross loans and advances of 10.8% to QAR1.71trn. Customer deposits increased by 8.4% year on year to QAR1.52trn in FY2025, while liabilities grew by 8.1% year on year to QAR2.09trn, indicating that balance sheet growth remained well supported by funding expansion. Total equity also increased by 6.7% year on year in FY2025, reinforcing the sector's capital base.

Earnings

Earnings performance in FY2025 reflected a more selective growth environment. Gross income from financing and fees remained broadly flat at QAR187.4bn for FY 2025, despite lower benchmark rates, while operating income increased by 2.3% year on year to QAR81.2bn in FY2025, supported by lending volume growth and improved fee contribution. Profit before tax (PBT) increased by 8.4% year on year to QAR36.1bn in FY 2025, although net income declined slightly by 1.1% year on year to QAR30.1bn. This suggests that stronger operating performance was partly offset by tax, impairment and other below-the-line movements across the earnings profile.

Stability

Stability metrics remained sound in FY2025, with the loan-to-deposit ratio broadly stable at 116.7% for the year 2025, reflecting continued credit deployment without a material deterioration in funding utilisation. Non-performing loan (NPL) balances increased by 3.5% year on year in FY2025, but the NPL ratio improved to 3.9% in FY2025 from 4.2% in FY2024, indicating that loan growth outpaced impaired loan formation. Cost of risk also improved to 0.67% in FY2025 from 0.79% in FY2024, while capital adequacy increased to 20.2% in FY2025, well above regulatory thresholds.

Profitability

Profitability remained resilient in FY2025 but showed signs of normalisation as balance sheet growth translated into slightly lower returns. Return on average assets (RoAA) decreased to 1.4% in FY2025 from 1.5% in FY2024, while return on average equity (RoAE) declined to 10.2% in F2025 from 10.9% in FY 2024, reflecting pressure from funding costs, capital intensity and a softer rate environment. Net interest margin also declined to 2.3% in FY2025 from 2.5% in FY2024, while the cost-to-income ratio increased to 27.1% in FY2025 from 25.6% in FY2024, reflecting a 5.6% variance increase and indicating higher operating cost pressure across the sector.

Key financial performance highlights

Values as of 2025YE and year-on-year (YoY) growth, %

Balances

Assets	Gross loans and advances	Deposits	Equity
QAR2.4trn (+7.9%)	QAR1.7trn (+10.8%)	QAR1.5trn (+8.4%)	QAR0.3trn (+6.7%)

Earnings

Gross income	Operating income	Profit before tax	Net income
QAR187.4bn (-0.2%)	QAR81.2bn (+2.3%)	QAR36.1bn (+8.4%)	QAR30.1bn (-1.1%)

Stability

Average loans to customers deposits ratio	Non-performing loans	Cost of risk	Capital adequacy ratio	Non-performing loans ratio
116.7% (0.3%)	QAR54.2bn (+3.5%)	0.67% (-15.1%)	20.2% (1.7%)	3.9% (-7.1%)

Profitability

Net interest margin	Cost-to-income ratio	Return on average equity	Return on average assets
2.3% (-30bps)	27.1% (+5.6%)	10.2% (-6.5%)	1.4% (-7.5%)

KPIs and values calculated from the aggregation of conventional and Islamic banks, excluding Lesha Bank and Qatar Developmental Bank.

The aggregated values on charts (Figures 1-15) cover the key financials of the following banks: Qatar Central Bank, Ahli Bank, Commercial Bank Qatar (CBQ), Doha Bank, Qatar Islamic Bank (QIB), Qatar International Islamic Bank (QIIB), Qatar National Bank (QNB), AlRayan Bank, and Dukhan Bank.

Figure 1: Total assets (QAR billions)

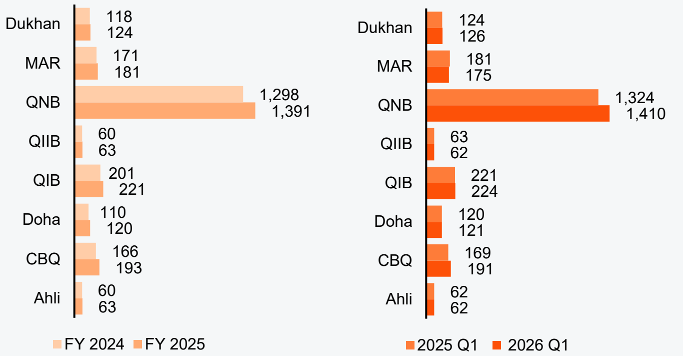
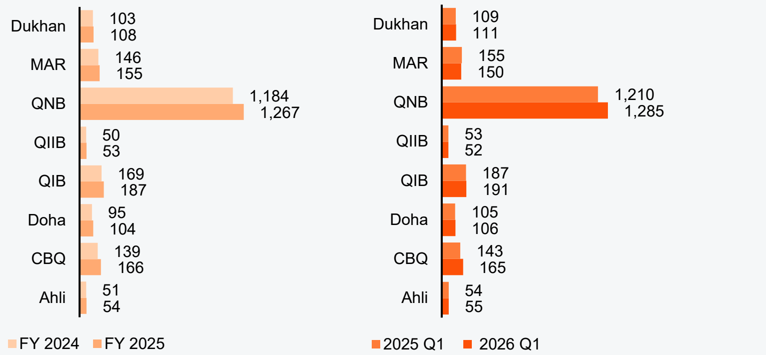


Figure 2: Total liabilities (QAR billions)



The balance sheets of Qatari banks continued to expand steadily, reflecting sustained momentum across the sector. Aggregated assets grew by 4.8% to QAR2.37trn in Q1 2026, compared to QAR 2.26trn in Q1 2025, highlighting the sector's continued ability to support credit growth and broader economic activity in Qatar.

On a full-year basis, growth of aggregated assets accelerated in FY2025 by 7.9% to QAR 2.36 Tn compared to QAR2.18trn for FY2024. Over the three-year period, aggregated assets grew at a CAGR of approximately 6.3% from FY2023 to FY2025, reflecting the continued expansion of the Qatari banking industry and its ability to sustain balance sheet growth despite evolving market conditions.

These observations underscore the importance of effective capital allocation, risk management and responsiveness to market conditions in maintaining profitability and competitive advantage. Aggregated liabilities increased in Q1 2026 by 4.9% to QAR2.11trn compared to QAR2.02tnn for Q1 2025, reflecting the sector's ability to maintain stable funding. On a full-year basis, liabilities accelerated in FY2025 by 8.1% to QAR2.09trn compared to QAR1.94trn for FY2024, recording a CAGR of 6.4% from FY2023 to FY 2025 and highlighting resilient funding profiles.

Figure 3: Gross total loans and deposits (QAR billions)

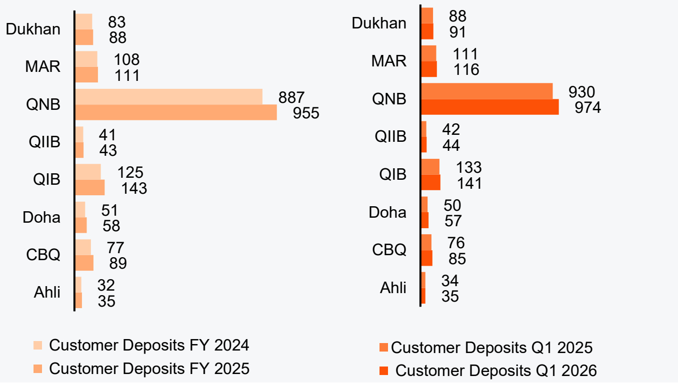
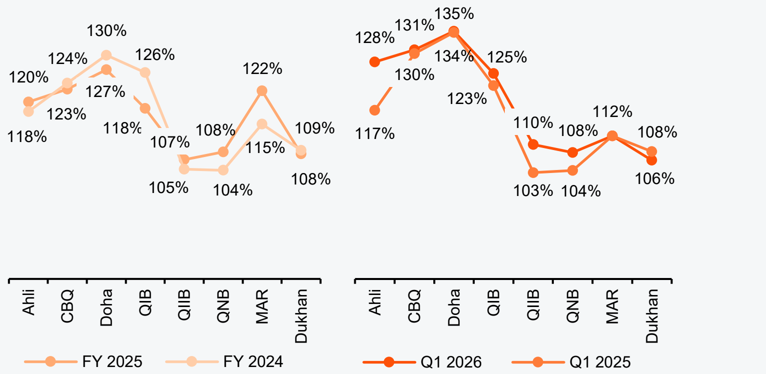


Figure 4: Loans-to-deposits (L/D) Ratio: Gross total loans / total deposits



The aggregated total loans and advances continued to record strong growth, outpacing funding growth. Total gross loans and advances increased by 10.8% to QAR1.71trn in FY2025 from QAR1.54trn in FY 2024, representing a three-year CAGR of approximately 8.1%.

On a quarterly basis, gross loans and advances increased by 8.3% to QAR1.73trn in Q1 2026 from QAR1.60trn in Q1 2025, reflecting continued credit expansion across the sector.

Portfolios continue to be supported by stable funding sources, with aggregated liabilities increasing by 8.1% to QAR2.09trn in FY2025 from QAR1.94trn in FY2024. However, as lending growth outpaced funding growth, banks should maintain focus on prudent liquidity management and stable funding profiles.

The dynamics for loans and deposits remained broadly in line with the assets-liabilities evolution, as lending portfolios continued to grow alongside stable customer deposit balances. The average loan-to-deposit ratio increased to 116.7% in FY2025 from 116.4% in FY2024, reflecting a marginal increase in funding utilisation across the sector.

On a quarterly basis, the ratio increased to 119.2% in Q1 2026 from 116.4% in Q1 2025, highlighting stronger lending activity relative to customer deposit growth. This may indicate continued credit demand and a pick-up in deployment of funding, while reinforcing the importance of maintaining prudent liquidity and funding management across Qatari banks.

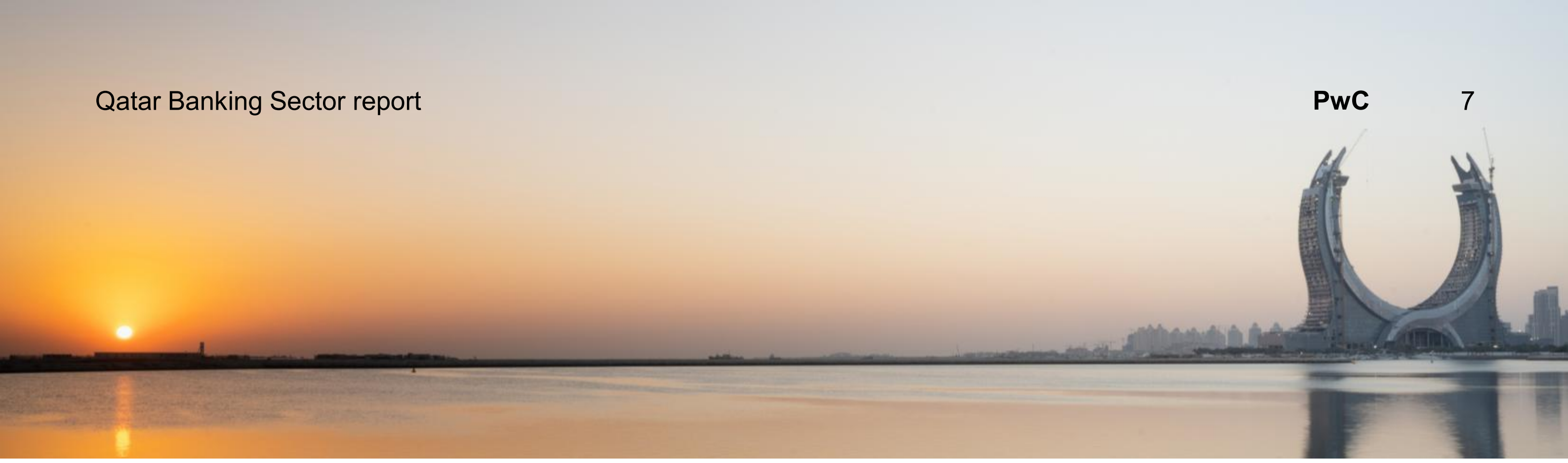
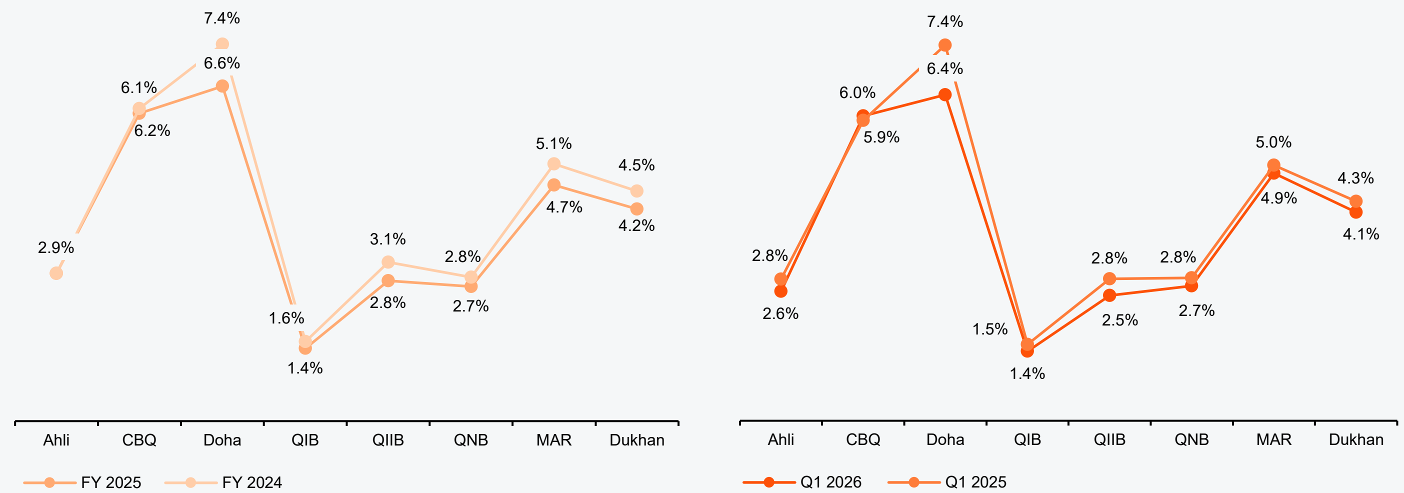


Figure 5: NPL Ratio: Non-performing loans / Total loans



Non-performing loans across listed Qatari banks remained contained despite continued credit expansion, increasing by 3.5% to QAR54.2bn in FY2025 from QAR52.3bn in FY 2024. However, the sector's NPL ratio improved to 3.9% in FY2025 from 4.2% in FY2024, indicating that loan book growth outpaced the formation of impaired exposures. On a quarterly basis, NPLs increased by 2.4% to QAR54.5bn in Q1 2026 compared to QAR53.2bn in Q1 2025, while the NPL ratio improved to 3.8% from 4.1%, reflecting continued resilience in asset quality and disciplined credit risk management across the sector.

The improvement in the ratio, despite an increase in absolute NPL balances, suggests that banks have been able to absorb credit risk through stronger portfolio growth, proactive collections, restructuring activity and adequate provisioning buffers. This trend is also supported by the relatively stable operating environment in Qatar, where banking system liquidity and capital levels remain strong. QCB has stated that the financial system continues to operate from a position of strength, with liquidity remaining strong, capital levels exceeding regulatory requirements and provisioning providing coverage against credit risk.

From a market perspective, the moderation in benchmark rates during 2025 may have gradually eased debt servicing pressure for borrowers, while resilient economic activity and continued government-related spending helped limit broad-based deterioration in credit quality. At the same time, certain pockets of risk remain visible, particularly where banks have exposure to legacy corporate, contracting, real estate or small and medium-sized enterprise (SME) portfolios, which tend to be more sensitive to liquidity tightening, project delays and refinancing conditions.

In response to recent geopolitical developments, QCB also announced pre-emptive support measures to safeguard financial stability, including permitting banks to offer affected borrowers' deferral of loan principal and interest payments for up to three months, subject to banks' internal policies and supervisory guidance. QCB also introduced liquidity support measures, including a term repo facility and a reduction in reserve requirements from 4.5% to 3.5%, aimed at releasing additional liquidity into the banking system.[1]

Accordingly, while reported NPL ratios show an improving trend, the temporary deferral measures may delay the recognition of credit stress for affected borrowers in the near term. Banks should therefore continue to closely monitor early-warning indicators, restructured exposures and sector-specific concentrations to ensure that asset quality remains well controlled as geopolitical and macroeconomic conditions evolve.

Figure 6: Gross income from financing and fees (QAR billions)

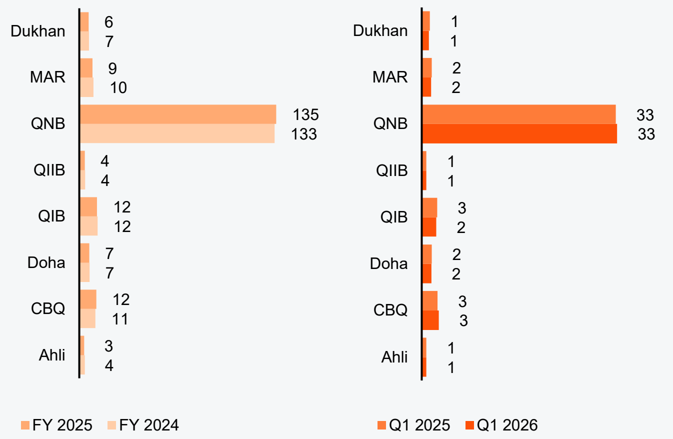


Figure 7: Gross fee contribution %: Gross fee income / gross total income

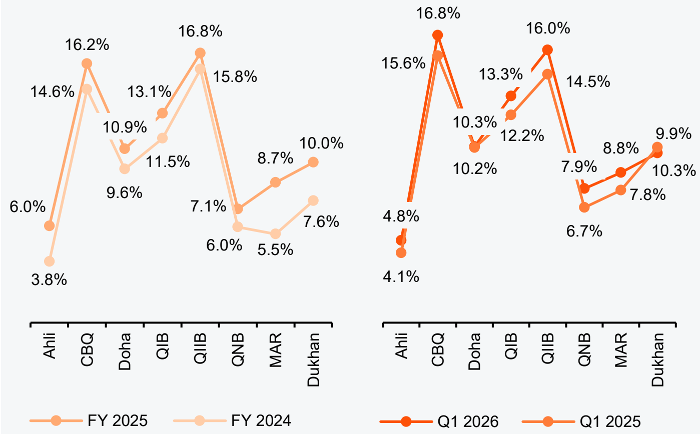
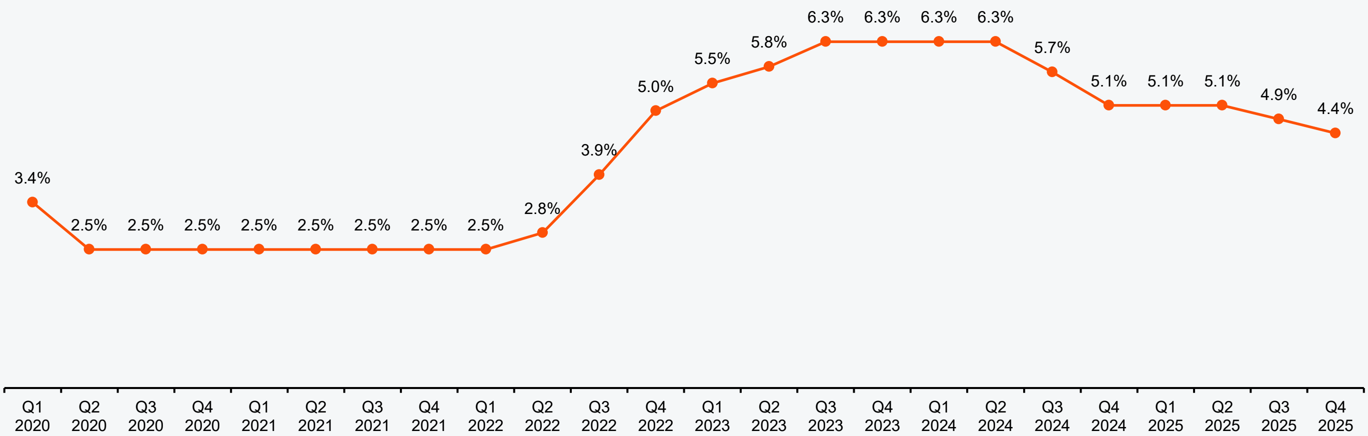


Figure 8: QMRL (Qatar money market rate) (Q1 2020 – Q4 2025)



Throughout the year, the average Qatar money market rate for lending (QMRL) moderated, decreasing to approximately 4.4% in FY2025 compared to 5.1% in FY 2024. Despite the lower rate environment, gross income from financing and fees remained broadly stable, decreasing marginally by 0.2% to QAR187.4bn in FY2025 compared to QAR187.9bn in FY2024.

This reflects the sector's ability to preserve income levels despite easing benchmark rates, supported by continued growth in lending volumes, repricing of existing portfolios and sustained contribution from fee-based income. On a quarterly basis, gross income from financing and fees remained almost flat, decreasing by just 0.1% to QAR44.5bn in Q1 2026 compared to the same quarter in 2025.

Fee income contribution improved during the period, increasing to 11.1% in FY2025 from 9.3% in FY2024, while Q1 2026 fee contribution increased to 11.0% compared to 10.2% in Q1 2025. This highlights a gradual shift towards more diversified revenue streams, with banks increasingly relying on non-funded income to support profitability amid a normalising interest rate environment.

With these factors in mind, the sector's revenue performance remained resilient, as stronger loan growth and higher fee contribution helped offset the impact of declining QMRL rates.

Figure 9: Operating income (QAR billions)

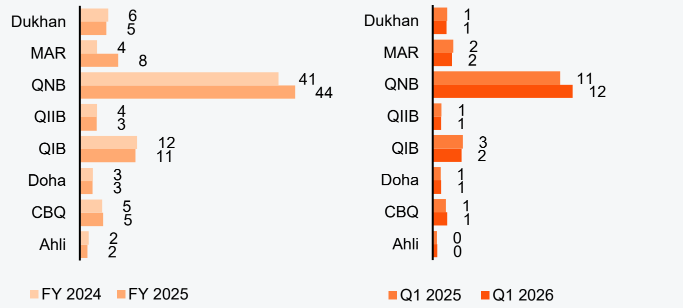
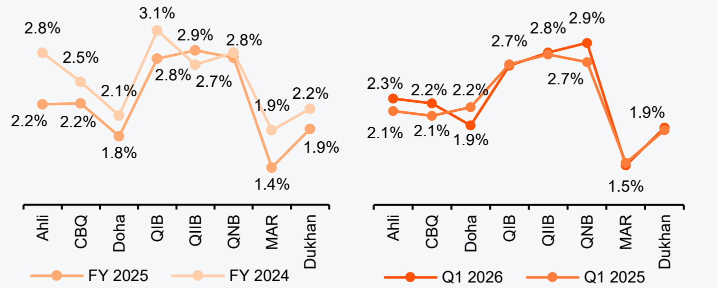


Figure 10: Net interest margin: Net interest income / average earning Assets



Qatari banks delivered a “growth despite pressure” story in FY2025. Aggregate operating income rose 2.3% YoY to QAR81.2bn, supported mainly by Qatar National Bank (QNB), Commercial Bank of Qatar (CBQ), Qatar International Islamic Bank (QIIB) and Dukhan, while Q1 2026 momentum also remained positive with operating income up 7.3% YoY to QAR17.2bn. This shows that the sector is still generating growth, even as the interest rate environment becomes less supportive.

The margin picture is more mixed. Sector average net interest margin (NIM) declined to 2.3% in FY 2025 from 2.5% in FY 2024, suggesting that banks are growing income while operating under tighter spread conditions. Most banks saw margin compression or stability, reflecting sticky funding costs and competitive deposit pricing. QIIB was the standout, improving its NIM to 2.9%, while QNB held firm at 2.8%, reinforcing the value of scale, funding strength and balance sheet discipline.

At the bank level, performance varied across individual banks. QNB remained the sector’s income engine, contributing the majority of operating income growth, while CBQ, QIIB and Dukhan provided additional upside. In contrast, declines at Ahli, Doha Bank, QIB and AlRayan Bank show that not all banks benefited equally from the market environment, with some institutions more exposed to margin pressure, portfolio mix constraints or slower income diversification.

The key message is that profitability is shifting from rate-led growth to management-led performance. Banks can no longer rely only on asset yields to protect earnings. In a softer rate cycle, stronger performance will depend on defending low-cost deposits, reprice assets with discipline, optimising asset and liability management and building a more resilient non-interest income. Income growth remains achievable, but margin protection will become the real differentiator.

Figure 11: Return on average assets and return on average equity

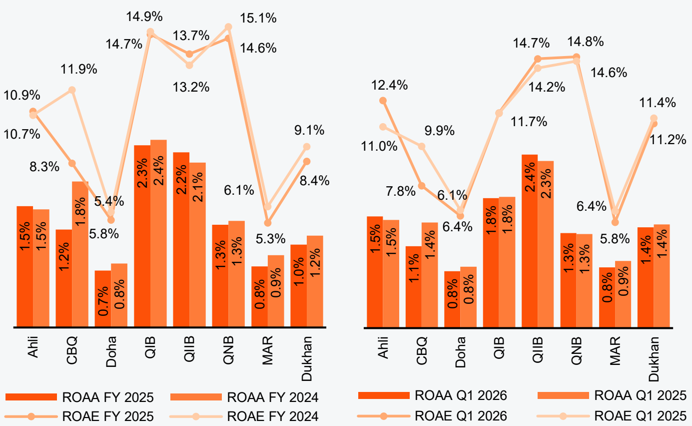
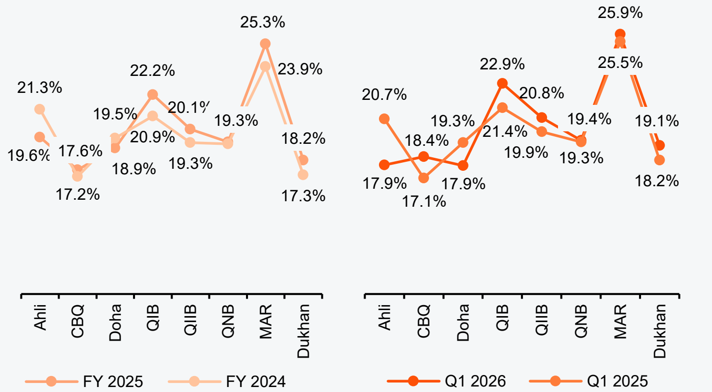


Figure 12: Capital adequacy ratios



The profitability profile of Qatari banks indicates a sector growing in scale, but with softer returns. Average return on average assets (RoAA) decreased to 1.4% in FY 2025 from 1.5% in FY 2024, while return on average equity (RoAE) declined to 10.2% from 10.9%, suggesting growth is being generated at lower marginal returns.

On a quarterly basis, profitability remained stable, with RoAA at 1.4% in Q1 2026 and RoAE easing slightly to 10.6% from 10.7% in Q1 2025. Future outperformance will depend on margin discipline, operating efficiency and effective capital utilisation.

All Qatari banks continued to report capital adequacy ratios well above QCB and Basel thresholds, evidencing a well-capitalised sector. The sector average increased to 20.2% in FY 2025 from 19.8% in FY 2024, reflecting strong capital buffers and disciplined balance sheet growth.

On a quarterly basis, the average remained stable at 20.3% in Q1 2026 compared to 20.2% in Q1 2025. However, elevated capital levels may indicate some capital utilisation inefficiencies, with room for selective growth and improved capital deployment.

Figure 13: Cost-to-income ratio: Operating cost / pre-impairment Operating Income

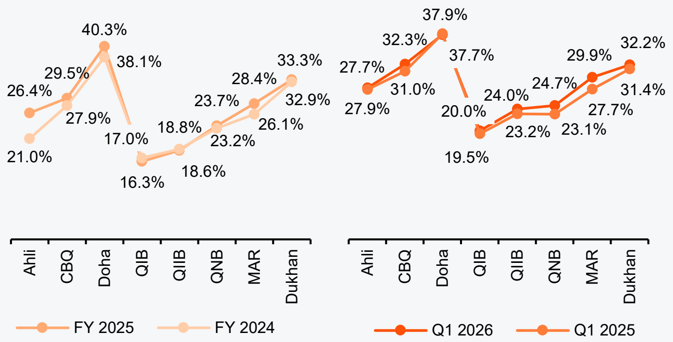
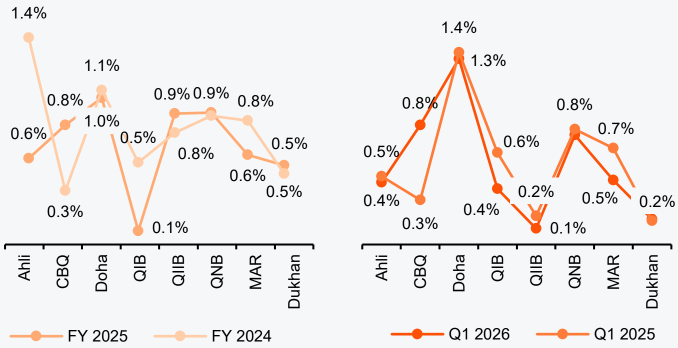


Figure 14: Cost of risk: Net impairment charge / gross total loans

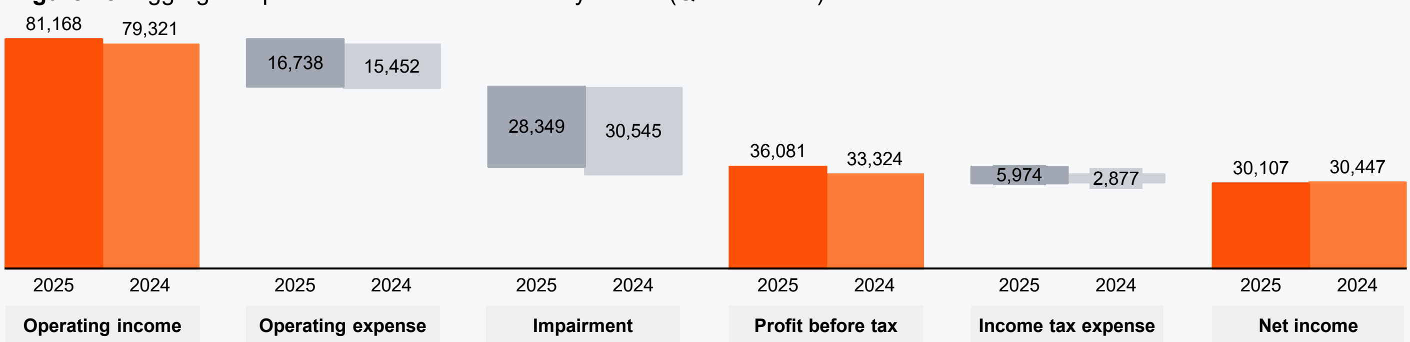


The Qatari banking sector showed mixed efficiency performance in FY2025, with cost-to-income ratios varying across banks. Several institutions maintained broadly stable operating efficiency, while others recorded higher ratios, reflecting continued investment in technology, compliance, branch optimisation and franchise expansion. On a quarterly basis, Q1 2026 cost-to-income ratios remained broadly comparable with Q1 2025 for most banks, although differences across institutions continue to reflect varying cost structures and revenue momentum.

Credit performance improved in FY 2025, with the aggregated average cost of risk declining to 0.67% from 0.79% in FY2024. This reflects easing provisioning requirements, more stable asset-quality conditions and disciplined credit risk management across the sector. Bank-level trends remained uneven, with Doha Bank, QIB and AlRayan Bank showing notable year-on-year improvement, while CBQ, QNB and Dukhan continued to report comparatively higher cost-of-risk ratios, indicating differences in portfolio mix, sector concentration and exposure to higher-risk lending segments. On a quarterly basis, cost of risk remained contained and broadly stable, improving slightly to 0.56% in Q1 2026 from 0.58% in Q1 2025, reflecting continued credit resilience and limited near-term provisioning pressure.

FY2025 reflected a resilient but more mature earnings environment for Qatari banks. Operating income increased to QAR81.2bn from QAR79.3bn, while impairment charges declined to QAR28.3bn from QAR30.5bn, supporting an increase in profit before tax to QAR36.1bn from QAR33.3bn. However, operating expenses rose to QAR16.7bn from QAR15.5bn and income tax expense increased to QAR6.0bn from QAR2.9bn, offsetting part of the improvement in pre-tax earnings. As a result, net income remained broadly stable at QAR30.1bn compared with QAR30.4bn in FY2024, highlighting the growing importance of efficiency, disciplined cost management and prudent credit risk practices in sustaining profitability.

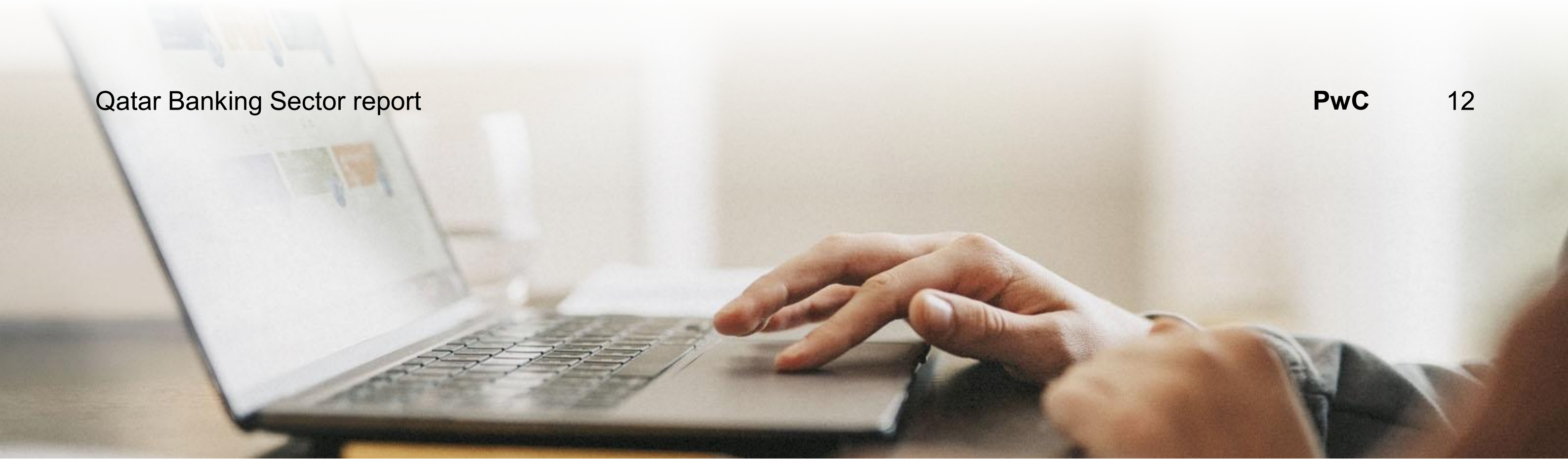
Figure 15: Aggregated profit and loss waterfall and dynamics (QAR millions)



FY 2025 reflected a more balanced earnings environment for listed Qatari banks, where profitability growth was increasingly driven by operating resilience rather than exceptional margin expansion. Pre-tax earnings rose to QAR36.1bn from QAR33.3bn, supported by higher operating income of QAR81.2bn and lower impairment pressure, as banks benefited from continued balance sheet growth and stabilising credit conditions.

However, the year also highlighted the transition towards a more mature earnings cycle. While provisioning requirements eased, operating expenses continued to rise alongside investments in digital infrastructure, compliance and franchise expansion. At the bottom-line level, net income remained stable at QAR30.1bn, as higher tax charges absorbed part of the operational gains, reinforcing the growing importance of efficiency, diversification and disciplined capital management in sustaining profitability.

02 Transforming Qatar’s banking sector: A strategic overview



01 Scaling AI across Qatar's banking sector

Overview: AI agents as a catalyst for banking productivity

Artificial intelligence in banking is moving from isolated analytics, robotic process automation and scripted chatbots toward more advanced "agentic" systems. In practical banking terms, AI agents are systems that can interpret user intent, retrieve and synthesise data, execute multi-step workflows, and support decisions or recommendations under human oversight. This matters because the banking value chain is workflow-heavy: onboarding, KYC, credit analysis, servicing, treasury, compliance, reporting and collections all depend on large volumes of structured and unstructured information. The opportunity is therefore not only to automate tasks, but to redesign how work flows across the front, middle and back office. PwC Strategy& analysis estimates that banks that fully embrace AI could improve their efficiency ratio by up to 15 percentage points, driven by revenue growth through better customer targeting and cost transformation through intelligent automation.[2]

For banks, the shift is strategic. AI is increasingly becoming a core capability rather than a stand-alone initiative, with applications across virtual assistants, loan origination, fraud monitoring and operations. At the same time, adoption must remain disciplined, with privacy, data quality, security and human oversight continuing to define how far AI can be deployed in regulated environments. At National Banks for Qatar, AI should be treated as a regulated operating model transformation, not as a collection of disconnected pilots.[3, 4]

AI is shifting into mainstream banking operations

Global banking leaders are already using AI as a core technology and productivity layer. JPMorganChase states that it invests more than US$18bn annually in technology, using data and technology to create products and services, maintain security and operate at scale.[5] Bank of America's virtual assistant Erica has surpassed two billion client interactions and serves over 40 million clients since launch, demonstrating the scale that AI-enabled customer engagement can reach when embedded into digital banking channels.[6] At the use-case level, global banks are applying AI to document review, customer servicing, credit workflows, fraud monitoring, compliance reporting, liquidity forecasting, reconciliation and client insights. The pattern is increasingly consistent as successful institutions are moving beyond narrow proof-of-concepts toward enterprise AI platforms, governed use-case libraries, responsible AI controls and model infrastructure.[7, 8]

Qatar's current landscape: Strong foundations, early banking applications and room to scale

Qatar is not starting from zero. The national AI and digital ecosystem is becoming a meaningful enabler for the banking sector. Qatar Development Bank's 2025 AI sector report projects Qatar's AI market to grow from approximately QAR2bn in 2024 to QAR7bn by 2030, implying a CAGR of around 29%. The same report projects the GCC AI market to expand from QAR12bn in 2024 to QAR56bn by 2030 and notes that generative AI is expected to account for approximately 30% of Qatar's AI market share by 2030. For banks, these projections point to not only technology adoption, but the emergence of a broader local vendor, talent, infrastructure and SME ecosystem that banks can draw on.[9]

Within financial services specifically, QDB identifies Qatar's financial services sector as the country's second-largest GDP contributor after oil and gas and classifies financial services as having "transformative potential" for AI-driven disruption. Current applications include process automation, fraud detection, customer service enhancement and data-driven risk management. Early adoption is visible in areas such as digital banking, onboarding and customer support, with some banks beginning to explore generative AI for service and insights.[10]

Regulatory and infrastructure momentum is also increasing. Qatar Central Bank's FinTech Strategy is built around four pillars, FinTech foundation and infrastructure, growth drivers, FinTalent and capability excellence, and FinTouch, with initiatives such as eKYC, regulatory sandboxes and digital banking frameworks. In December 2024, QCB issued the Regulatory Framework for Digital Banks, positioning digital banks as a step toward financial inclusion, innovative banking services, lower operating costs and more efficient digital financial transactions. This matters for AI because digital banking, eKYC, cloud, data, and API-enabled infrastructure are prerequisites for scalable AI agents.[11, 12]

At the national level, Qatar's Digital Agenda 2030 sets six pillars: Digital Infrastructure, Digital Government, Digital Technologies, Digital Innovation, Digital Economy and Digital Society. MCIT states that the agenda aims to build strong foundations in data and emerging technologies, develop an innovative digital sector powered by investment and applied research, accelerating digital adoption and economic growth. The International Monetary Fund (IMF) has also assessed Qatar as actively preparing to embrace AI, leading emerging-market peers in AI readiness, with scenario analysis suggesting that increased AI adoption, supported by reforms in human capital, innovation and domestic knowledge spillovers, could generate sizeable labour productivity gains over the medium term.[13, 14]

The key gap is industrialisation. Many AI applications in Qatar's banking sector are still likely to be either early-stage, embedded inside existing vendor systems, or not publicly disclosed. This creates an opportunity for leading Qatari banks to move faster by formalising AI governance, selecting priority use cases, building shared data foundations, and partnering with regulators and ecosystem players. The strongest opportunity is to turn Qatar's digital-finance momentum into practical, supervised AI adoption across banking operations.

Priority domain	Banking use cases for Qatar	Why it matters
Customer and relationship banking	Arabic-English customer agents, service triage, onboarding support, personalised product nudges, call-centre knowledge assistants	Improves service quality and supports digital adoption while preserving human escalation for complex cases
Credit and SME banking	Credit memo drafting, financial spreading, document verification, early-warning indicators, sector benchmarking for SMEs	Accelerates lending workflows and supports Qatar's SME and private-sector growth agenda
KYC and compliance	KYC file review, adverse media summarisation, transaction monitoring support, regulatory reporting automation	Targets high-control areas where AI can reduce manual effort while strengthening consistency and auditability
Operations and finance	Automated report commentary, chat-with-data, reconciliation support, policy and procedure search, management dashboards	Improves productivity and decision-making across finance, risk and operations
Corporate, treasury and investment banking	Trade finance document checking, liquidity forecasting, investor-relations sentiment analysis, pitchbook and research support	Supports wholesale banking competitiveness and higher-value client advisory

These priorities are consistent with global banking use cases, with their successful application in Qatar dependent on localisation to the operating context, including bilingual servicing, Islamic finance, SME banking, trade finance, regulatory expectations, cybersecurity and data residency considerations.[15,16]

Scaling responsibly: What banks should do next

For Qatari banks, the next phase is to move from AI pilots to a governed portfolio of AI capabilities. The most effective model combines centralised control with business-led adoption. A central AI capability, such as a Centre of Excellence, can set standards, manage risk and promote reuse across the organisation, while business units focus on translating AI into measurable value across customer experience, credit, compliance and operations. This reflects leading practice, where clear strategy, prioritised use cases, strong data foundations and responsible AI governance are integrated into a scalable operating model.

In practice, scaling AI requires embedding solutions in core workflows. Banking-focused AI tools illustrate this clearly. Credit analysis assistants can automate financial spreading and generate structured insights to support underwriting decisions. Pre-approval assistants, in turn, streamline lending journeys by assessing eligibility, retrieving relevant data and guiding both customers and relationship managers through decision pathways. These types of deployments demonstrate how AI can create measurable operational impact.

For Qatari banks, the immediate priority is to turn AI capabilities into deployed use cases. This includes establishing AI governance aligned with national digital ambitions and regulatory frameworks, selecting a focused set of high-impact use cases, building controlled data environments, and scaling pilots through human-in-the-loop deployment models. Over time, these capabilities should be industrialised through standardised delivery, model lifecycle management and training, adoption support and role redesign.

The strategic opportunity is to embed AI as a trusted capability across banks, supporting employees, enhancing customer outcomes and delivering measurable improvements in efficiency, growth and risk management.

While AI is reshaping how banks operate and compete, resilience remains equally critical, particularly in an environment where external disruptions can rapidly affect financial stability and operations.

02 Operational resilience for banks under pressure

Why resilience is now a priority

Recent regional tensions and disruptions to transport, trade and operating conditions have brought crisis management and business continuity back into sharp focus for banks in Qatar. For financial institutions, the relevance lies less in the geopolitical detail itself and more in how quickly disruption can spill over into liquidity conditions, cross-border payments, trade finance and customer servicing. In this environment, what matters is not only a bank's ability to absorb stress financially, but its ability to continue delivering critical services while conditions remain unsettled.

More broadly, the risk landscape facing banks is becoming increasingly complex and interconnected. Operational disruptions are no longer limited to physical or geopolitical events, but increasingly arise from digital incidents that can directly impact critical services. Industry data shows that the average cost of a data breach reached $US4.4m globally, with financial services among the most targeted sectors.[17,18]

Beyond direct losses, such incidents can disrupt payment systems, customer access and internal operations, creating immediate business continuity challenges. At the same time, regulators highlight that cyber incidents and operational outages are among the fastest-growing risks to financial stability, particularly as institutions become more digitally interconnected and reliant on third-party providers. For banks in Qatar, this reinforces the importance of maintaining continuity under pressure as digitalisation, ecosystem connectivity and external dependencies continue to expand.

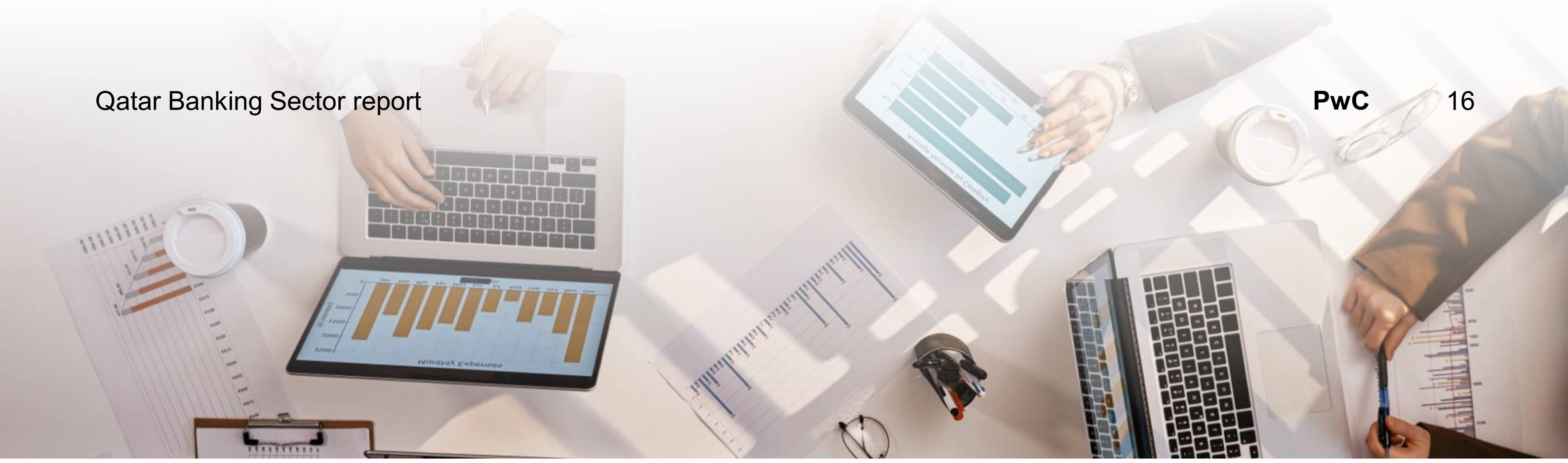
Operational implications for banks

Against this backdrop, the real test for banks is operational readiness. Strong balance sheet indicators remain important, but they do not determine whether an institution can continue to operate effectively through sustained disruption. The critical question is whether core services can remain available if pressure builds across funding markets, payment flows, customer channels or digital infrastructure.

In practice, preparedness starts with a clear view of the services that must remain available under stress, and the dependencies behind them. For most banks, these include core payment operations such as digital banking channels, treasury and liquidity management and cash access.

Maintaining continuity in these areas requires more than documented procedures. It depends on clear escalation paths, defined decision-making authority and recovery arrangements that can be activated quickly.

The current environment also highlights the need to plan for compound disruption rather than single events. A regional shock may coincide with market volatility, cyber incidents, telecom outages or disruption at key service providers. Response plans therefore need to work under real operating pressure, not just satisfy policy requirements. Banks that regularly test their crisis scenarios through management exercises, operational simulations, IT recovery tests and third-party continuity checks are more likely to respond in a controlled and coordinated manner when disruption occurs.



QCB guidance and supervisory expectations

QCB's Business Continuity Management Principles set a clear expectation that banks should be able to maintain continuity during emergency conditions. The principles are designed to address circumstances that may result in total or partial disruption of operations in QCB or between QCB and banks, and it requires action and security plans between QCB and banks, continuously available alternative plans, procedures and safe arrangements for the transportation of currency. It also refers to the adequacy of security procedures for ATMs and credit cards, which is directly relevant to maintaining customer access during disruption.[19]

This expectation is reinforced in QCB's Technology Risks Regulation for Banks. The regulation requires banks to maintain BCM policies, procedures and plans aligned with QCB instructions and global standards such as ISO 22301. It also requires banks to maintain emergency response plans covering evacuation, command centre operations, communications and threat scenarios, including cyber threats. Banks must appoint a senior management official to lead the business continuity management (BCM) function, conduct business impact analysis and risk assessment, test arrangements at least annually and maintain a crisis management plan with clear roles and responsibilities. Annual testing should cover table-top exercises, simulations, technical recovery, disaster recovery, supplier and service-provider tests and complete rehearsals.[20, 21]

QCB's guidance also extends further to third-party dependency, which is increasingly relevant as banking models become more digital and interconnected. For outsourced IT arrangements, boards and senior management remain accountable for governance and risk management. Requirements include due diligence on providers, audit rights and continuity arrangements to support operations during disruption. In parallel, QCB's Corporate Governance Principles require independent risk management functions and stress testing under adverse conditions. Together, these requirements make it clear that operational resilience is not a stand-alone IT issue, it is part of the bank's broader governance and risk framework.[22]

Practically, this means resilience should be measured service by service: which services are critical, which systems and providers support them, what recovery objectives and escalation triggers apply, who is authorised to invoke contingency arrangements, and what evidence will be reported to senior management and QCB following tests or live incidents.[23, 24, 25]

Business continuity as part of operational resilience

For the sector as a whole, the priority is to treat business continuity as part of a broader resilience agenda rather than a stand-alone control. Governance, crisis management, technology resilience and third-party oversight need to work together in practice. Banks also need to track resilience through management information, including test outcomes, unresolved recovery gaps, incident severity, service availability, third-party readiness and overdue remediation actions. During periods of uncertainty, slow decisions and poor communication can weaken confidence as much as the disruption itself.

Banks that maintain service continuity, act decisively and coordinate effectively with regulators and market participants will be better positioned to preserve trust and stability. In this context, resilience should be measured by the ability to remain operational, credible and responsive throughout periods of uncertainty, as well as by the ability to recover after disruption.

03 Banking tokenisation and the future of market infrastructure

Qatar's strategic direction in tokenisation

Qatar's tokenisation opportunity is emerging at the intersection of capital markets modernisation and disciplined innovation in digital assets. The national financial sector agenda, set out in Qatar's Third Financial Sector Strategy, establishes a clear trajectory across four pillars, banking, insurance, digital financial services and capital markets, while prioritising Islamic finance and digital innovation as cross-cutting themes.[26]

Tokenisation offers a practical way to upgrade the issuance, distribution and servicing of real-world financial instruments within a more digital market architecture. A key enabler is the Digital Assets Framework, launched by the Qatar Financial Centre Authority (QFCA) and the Qatar Financial Centre Regulatory Authority (QFCRA). The framework establishes the legal and regulatory foundation for tokenisation in the QFC, including legal recognition of property rights in tokens and underlying assets, custody arrangements, token transfer and exchange and smart contracts.[27] In practical terms, it moves tokenisation closer to bankable infrastructure, which is critical for institutional adoption in instruments where Qatar's banking sector already plays an important origination and distribution role.

For institutional positioning, Qatar's regulatory direction in the QFC is explicitly focused on asset-backed, rights-based tokenisation rather than retail crypto. Tokens that function as currency substitutes or means of payment remain outside the permitted scope. The QFCRA has clarified that cryptocurrencies, stablecoins and central bank digital currencies (CBDCs) are "Excluded Tokens" under the Digital Assets Framework. By contrast, tokens representing legally enforceable rights in shares, debt instruments, sukuk, fund units, commodities and similar assets fall within the regulated perimeter.[28] This distinction is commercially important. It positions tokenisation as an extension of capital markets infrastructure, rather than speculative digital asset trading, and creates a role that banks are structurally well placed to lead.

The role of banks in advancing tokenisation

Globally, tokenisation is increasingly understood as a change in how assets are issued, held, financed, traded and serviced. Standard setters and market bodies, including the Bank for International Settlements (BIS) and International Organization of Securities Commissions (IOSCO), define tokenisation as the use of technologies such as distributed ledger technology (DLT) to issue or represent assets in digital token form. These assets can include financial instruments such as securities or bank deposits, as well as physical assets such as real estate.[29]

Adoption is still early, but it is progressing. International organisations have highlighted the significant potential scale of tokenisation, with the World Economic Forum estimating that up to 10% of global GDP could be represented on blockchain-based systems by 2027, equivalent to more than US$10trn at current global GDP levels.[30]

Banks are central to this shift. They originate assets, intermediate liquidity, manufacture structured products, safeguard assets and provide the regulatory-grade controls institutional investors require. Research also shows that banks and adjacent institutions are already tokenising a broad range of real-world assets, including deposits, securities, commodities and documentation. Some are building tokenisation technology stacks for use cases such as collateral settlement, multiparty trade finance and interbank cash settlements.[31]

For Qatari banks, the immediate opportunity lies in applying tokenisation to existing products and services. This includes bonds and sukuk, treasury and cash management products, private market solutions and trade-related financing. International examples show that tokenisation is already being used for digital bond issuance, tokenised funds and improved collateral management. The differentiator will be how effectively banks integrate tokenisation into existing balance sheet and capital markets activities.[32]

Regulatory and market infrastructure readiness

Tokenisation at institutional scale depends less on technology readiness and more on legal certainty, enforceable property rights and credible operational controls, particularly around custody, transfer finality, governance and investor protection. Qatar's QFC framework addresses this directly by establishing legal foundations for tokenisation, recognising token-related property rights and smart contracts and embedding token services within a regulated perimeter.[33] The QFCRA also highlights provisions for validation, registration and custody of tokens, giving the market a regulated structure to support trust and confidence in tokenised assets.[34]

At the global level, standard setters emphasise that the potential benefits of tokenisation, including improved efficiency in clearing and settlement, reduced costs, increased transparency and greater flexibility, remain partially unproven at scale and may involve trade-offs. They also highlight structural constraints that can limit adoption, including a lack of interoperability between distributed ledger technology (DLT) platforms and traditional infrastructure and the limited availability of credible money settlement assets.[35] IOSCO similarly observes that tokenisation is growing but remains nascent. It notes that interoperability challenges, limited settlement assets, legal uncertainty, operational vulnerabilities and cyber risk all require tailored controls, even where they resemble familiar risk categories.

For banks, the board-level implication is direct. Tokenisation strategy should be embedded within the risk and control architecture from the outset, covering legal, compliance, operational resilience, cyber and smart contract risk.

Strategic imperatives and next steps for Qatari banks

For Qatari bank leadership, the priority is to identify where tokenisation can create defensible advantage and how it can be industrialised without introducing unwanted risk. Qatar's framework in the QFC deliberately narrows the scope towards tokenising enforceable rights and mainstream instruments, including sukuk, while maintaining restrictions on currency-substitute crypto assets.[36] This enables banks to use tokenisation to support capital efficiency, liquidity and collateral mobility, distribution modernisation and Shariah-compliant asset innovation.

A practical next step is to treat tokenisation as a multi-year operating model programme with clear ownership at the C-suite level: [37]

- Treasury → settlement, collateral mobility and intraday liquidity
- Corporate and investment banking → issuance and structuring
- Asset and wealth management → tokenised funds and private markets
- Risk → custody governance, smart contract risk and operational resilience
- Technology → infrastructure integration and interoperability

Banks should also use Qatar's growing experimentation ecosystem. The QFC Digital Assets Lab provides a regulated environment for industry participation and licensing pathways.[38] Qatar's tokenisation framework is not designed as a crypto sandbox. It is structured as legally enforceable, institutionally governed digital market infrastructure. By defining property rights, transfer mechanics, licensing requirements, anti-money laundering integration, disclosure obligations and custody controls, the QFC has positioned tokenisation within the core architecture of regulated finance.

04 Interest rate cuts and their impact on banks

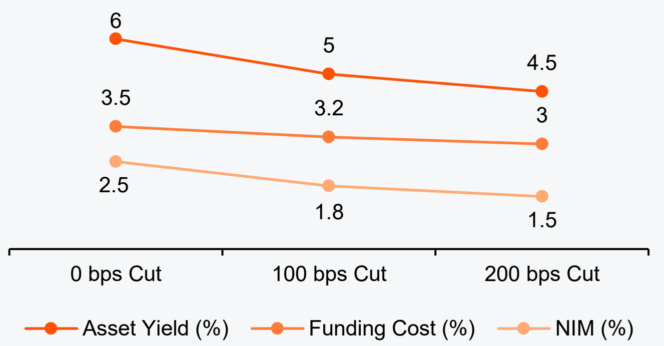
Adverse macroeconomic in terms of policy rate cuts will continue to put pressure on the bottom line

Rate cuts often put pressure on cost-to-income for asset-sensitive banks with sticky funding costs, as net interest income can fall faster than operating expenses. But the direction and size depend on the bank's repricing gap, deposit floors/betas and hedging.

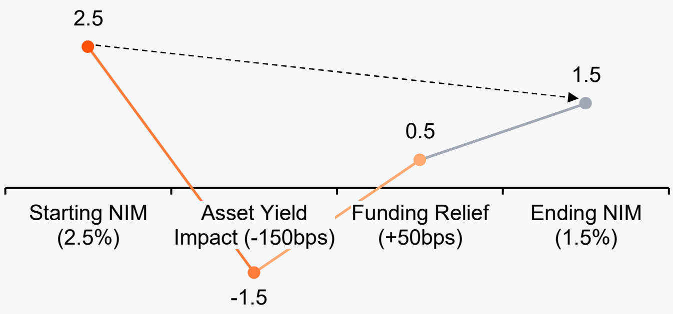
Therefore, in a rate-cut cycle, usually banks face margin compression as asset yields reprice faster than sticky deposit funding costs as shown in below illustrative.

Due to rate cut (on an average of 100-200bps for illustration), asset yield goes 150bps down while the funding only provides 50bps relief lowering the net interest margin (NIM) by 100bps (2.5% starting NIM to end at 1.5%).

Rate cut impact



NIM impact (%)



How policy rate cuts compress NIM

A **Asset yields usually drop faster than funding costs (margin compression)**

- Floating-rate loans (QIBOR linked) reset down quickly → interest income falls.
- New originations & reinvestment happen at lower yields → portfolio yield trends down over time.

B **Funding costs may not fall as much (deposit floors + deposit beta)**

- Many deposits are already near a floor (0%-low%) → cannot reprice down much further.
- Deposit rates often move less than market rates (low "deposit beta") and asymmetrically across cycles.

QCB policy rate

Early 2026

Deposit	Lending	Repo
~3.85%	~4.35%	~4.10%

QCB follows the Fed due to peg with US dollar. During 2025, QCB announced three rate cuts of 25bps each with 75bps in total. There is currently no official public QCB forecast on rate cuts.

With mixed analyst expectations, some suggest potential 1-2 rate cuts in Qatar in 2026, but this remains subject to data and policy decisions to be made during the year.

CFO priorities in a rate-cut cycle: Protect the bottom line

CFOs should focus on slowing the decline in revenue and asset yields during the rate cuts.

Therefore, profitability protection shifts from interest rate tailwinds to funding strategy, pricing discipline and revenue diversification.

Key actions	Expected outcomes
Protect the funding franchise	Expected outcome is faster funding relief offsets margin pressure
Reprice assets strategically	Slower erosion of asset yield and stronger ROA
Optimise balance sheet and ALM strategy	Slow the decline in earnings through duration, hedging and reinvestment decisions
Expand non-interest income	Fee income becomes the primary shock absorber when spreads compress
Strengthen cost efficiency	Lower operating costs converts more revenue into net profit
Optimise capital allocation	Maintain ROE by shifting capacity to higher-return assets

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Contact us

Bassam Hajhamad

Qatar Country Senior Partner,
PwC Middle East

bassam.hajhamad@pwc.com

Ahmed Al Kiswani

Regional Financial Services
Leader, Partner
PwC Middle East

ahmed.alkiswani@pwc.com

Shehab Daana

Qatar Financial Services
Consulting Director,
PwC Middle East

shehab.daana@pwc.com

Contributors:

Syed Zain Raza, Osama Alsaad, Mohammad AlTalafha, Yanal Alsaad,
Hamza Mari, Amr Nakhleh, Faysal Dandashli, Abdallah AlSafadi, Taha Nadeem

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