

A night-time photograph of the Dubai skyline, featuring the Burj Khalifa as the central focus. The city lights are illuminated against a dark blue sky with some clouds. The foreground shows a curved road and some greenery.

UAE Banks: Liquidity Supports Credit Growth

Aranca Fixed Income and Credit Research Intelligence

GCC Banking | May 2026

14.4%

YoY Domestic Credit Growth (Mar'26)

Broad-based acceleration

16.8%

YoY Domestic Deposits Growth (Mar'26)

Liquidity remains supportive

~68%

Domestic Loan to Deposit Ratio

Lowest among GCC peers

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Key Performance Indicators

Headline Metrics – UAE Domestic Credit Market (as of Mar 2026)

14.4%

YoY Domestic Credit Growth

Highest since 2019

Acceleration continues into 1Q26

16.8%

YoY Domestic Deposit Growth

Deposits outpace lending

Liquidity remains supportive

~46%

Corporate Loan Share

Largest lending segment

Project and corporate demand supportive

10.2%

YoY Corporate Credit Growth

Fastest growth since 2015

Broad-based expansion

~68%

Domestic Loan-to-Deposit Ratio

Lowest among GCC peers

Supports further lending growth

Market Context

- Credit growth accelerated in 1Q26, supported by sovereign-linked, retail and infrastructure financing
- Deposits continued to outpace lending growth, supporting liquidity buffers
- UAE banks maintain stronger liquidity and external buffers relative to regional peers

Credit Mix Insight

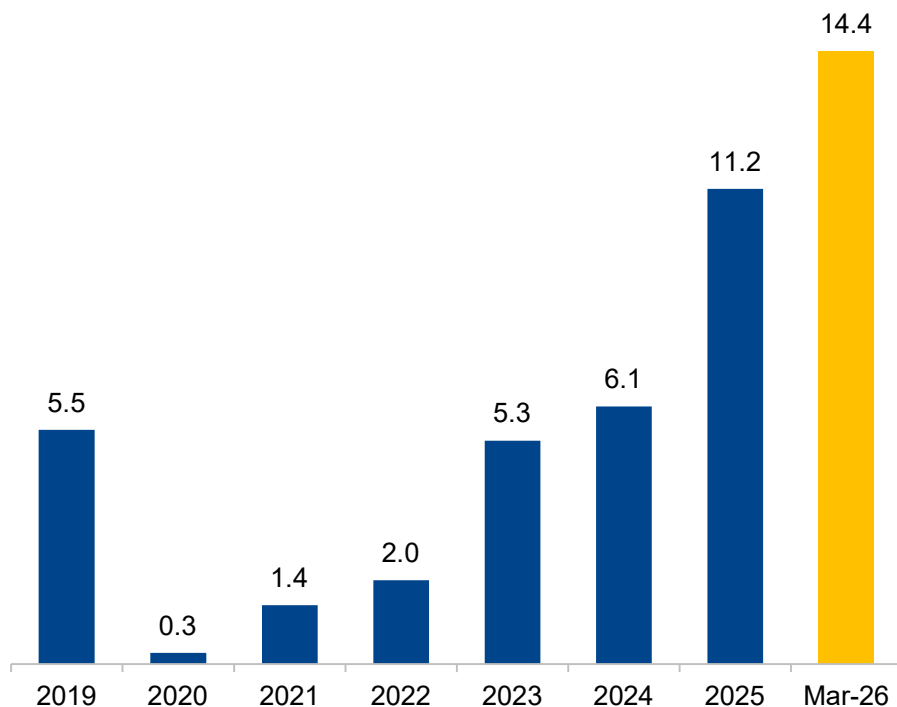
- Business lending remained the largest segment at 46% of system credit, growing 10.2% y/y in 1Q26
- Household lending rose to 27% of credit and expanded 14.6% y/y, supported by workforce and consumption growth
- GRE and government lending recorded the fastest growth at 17.7% and 28.4% y/y, respectively

Source: Central Bank of the UAE

Credit Growth Reaccelerates on Broad-Based Demand

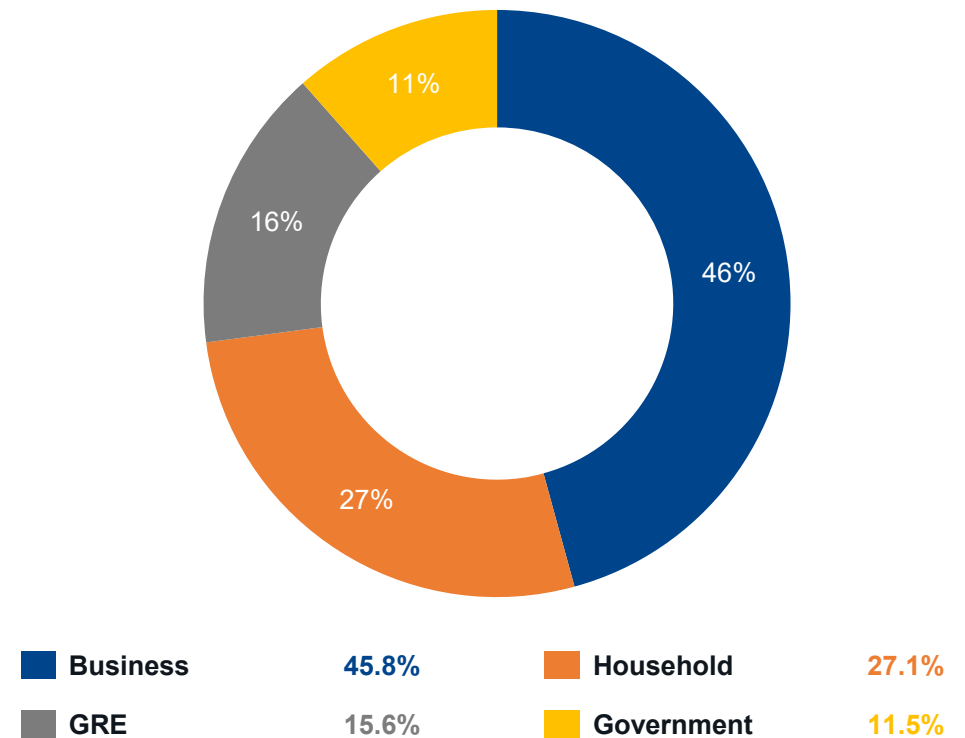
Domestic Credit YoY (%) Growth Trend – 2019 to Mar 2026

Domestic Credit Growth Reaches Post-Covid High



Domestic Credit Composition – Mar 2026

Business Lending Remains Dominant as Retail Share Expands



- Domestic credit growth accelerated from 6.1% in 2024 to 14.4% in Mar-2026, marking the fastest expansion since 2019
- Growth has become increasingly broad-based, supported by sovereign-linked spending, corporate activity and resilient household borrowing

Source: Central Bank of the UAE

Drivers of the Next Phase of Credit Growth

Consumer, corporate and infrastructure activity continue supporting credit expansion



Workforce Expansion & Consumer Credit

- Population growth averaged ~5% over 2022-2025, supported by continued expatriate inflows and workforce expansion
- Retail banking activity and housing demand remain supported by rising workforce participation and consumer spending

2.5% Workforce Growth in 1Q26
Supports retail credit demand



Real Estate Demand & Economic Diversification

- Dubai and Abu Dhabi real estate transactions rose 31% and 161% YoY, respectively, in 1Q26, reflecting sustained investment and housing demand
- Non-oil sectors including trade, tourism and services continue supporting broader private-sector financing demand

4-5% Non-Oil GDP Growth Outlook
Supports diversified credit demand



Infrastructure & Project Finance Expansion

- Government-linked investment and infrastructure activity continue supporting sovereign and GRE financing demand
- Large project pipeline provides multi-year visibility for infrastructure and corporate borrowing activity

~USD 550bn Project Pipeline
Supports long-term financing demand

Key Risks

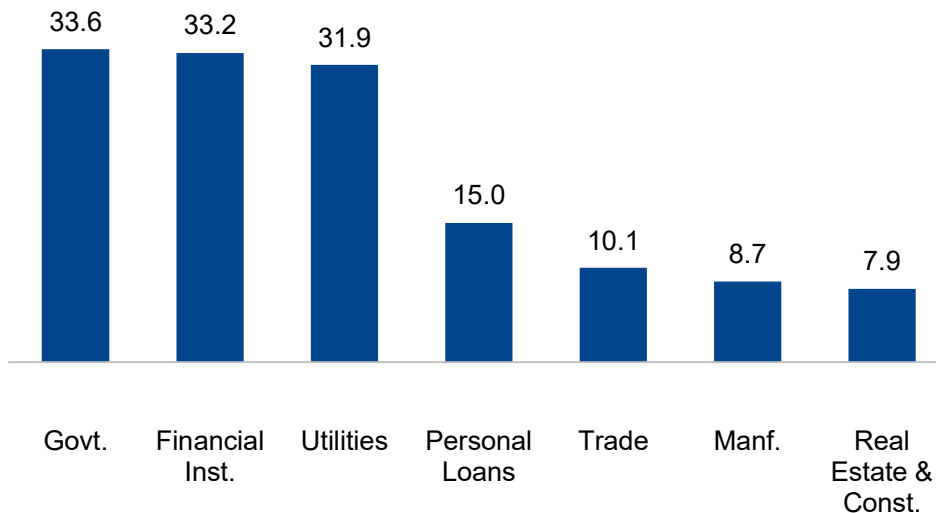
- **Geopolitical:** Prolonged regional conflict could weigh on confidence, investment activity and funding flows
- **Rates / Inflation:** Persistent US inflation could trigger Fed tightening, raising regional borrowing costs

Source: Central Bank of the UAE, Aranca Research, S&P Estimates, and Fitch Estimates

Sectoral Breakdown & Bank Positioning

Sectoral Credit Growth YoY (%) – Mar 2026

Government and financial-sector lending led growth



- Government, financial institutions and utilities recorded the strongest growth in Mar-26, reflecting sovereign-linked and infrastructure financing activity
- Personal lending remained resilient, supported by continued workforce expansion and housing demand
- Trade and manufacturing activity indicate improving diversification across non-oil sectors

Source: Central Bank of the UAE and Aranca Research

Bank Positioning – Growth vs Defensive Dynamics

Competitive landscape – UAE banks domestic franchise



First Abu Dhabi Bank

Interesting Pick

Flagship Abu Dhabi lender well positioned for sovereign-linked lending, supported by strong liquidity and infrastructure financing activity



Emirates NBD Bank

Interesting Pick

Diversified regional banking franchise with strong retail funding, supporting broad-based corporate and consumer credit expansion.



Dubai Islamic Bank

Defensive Pick

Islamic retail franchise supported by strong deposit generation, resilient profitability and stable domestic funding conditions.



Mashreq Bank

Tactical Pick

Digitally advanced bank benefiting from wholesale banking growth, diversified fee income and improving asset-quality metrics.

What Looks Interesting?

UAE Banking Sector – Outlook 2026

- UAE banks continue benefiting from broad-based credit expansion across sovereign-linked, corporate and retail segments
- Strong deposit growth and low domestic LDRs provide capacity to sustain lending expansion
- Credit growth is increasingly supported by workforce expansion, infrastructure activity and non-oil economic diversification
- Government-linked and financial-sector lending accelerated materially in 1Q26, reinforcing system growth momentum
- Large diversified banks with strong liquidity and funding franchises, including FAB and Emirates NBD, remain well positioned for the current cycle
- Geopolitical escalation remains the key external risk, particularly through confidence, tourism and capital-flow channels

**Visible Infrastructure Pipeline and Supportive Liquidity
Conditions Sustain Credit Growth Momentum**

~10-12%

Credit Growth Outlook
Sustainable growth baseline

~USD 550bn

Project Pipeline
Supports multi-year credit demand

~68%

Domestic Loan to Deposit Ratio
Liquidity remains supportive

Source: Central Bank of the UAE, Aranca Research, and S&P Estimates



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