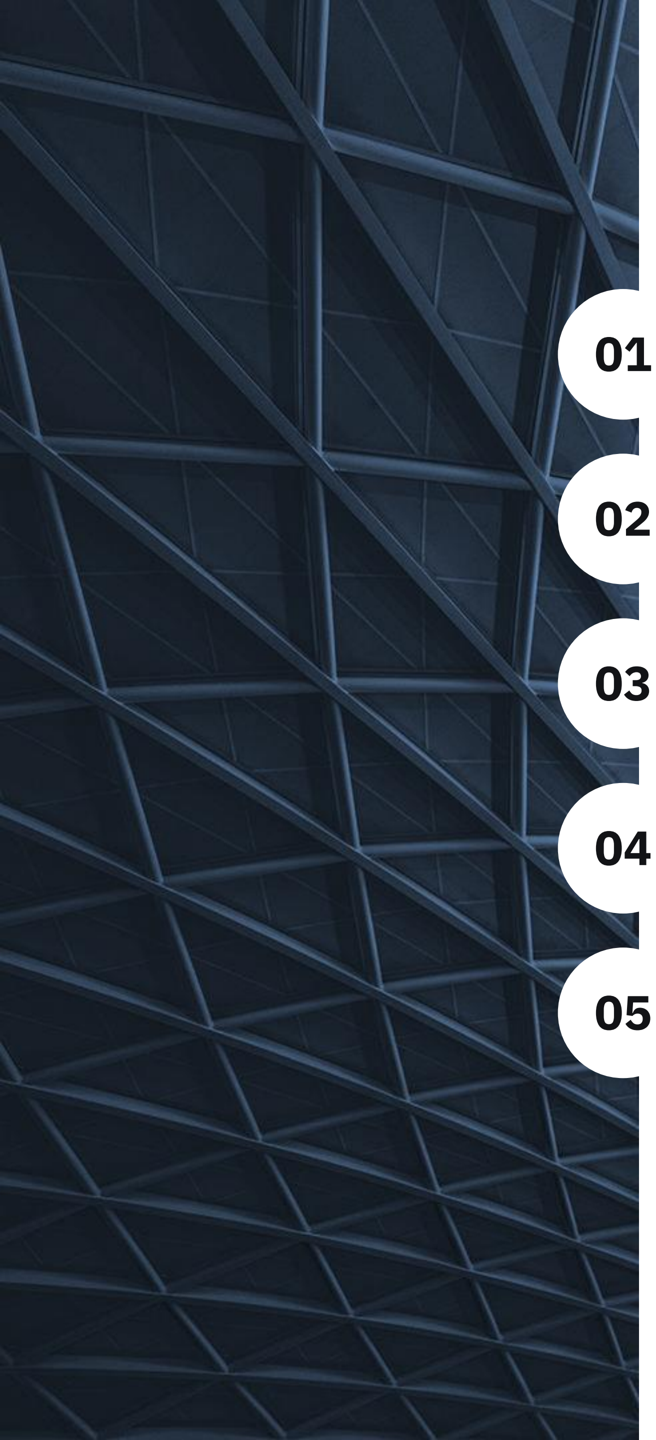
Celent.
a GlobalData company

Digital-Only Banks in the Middle East

Strategies and Operating Models

Zil Bareisis
28 January 2026

A part of GlobalData



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Executive Summary

Celent conducted a market study on digital-only banks in the Middle East, specifically the GCC region

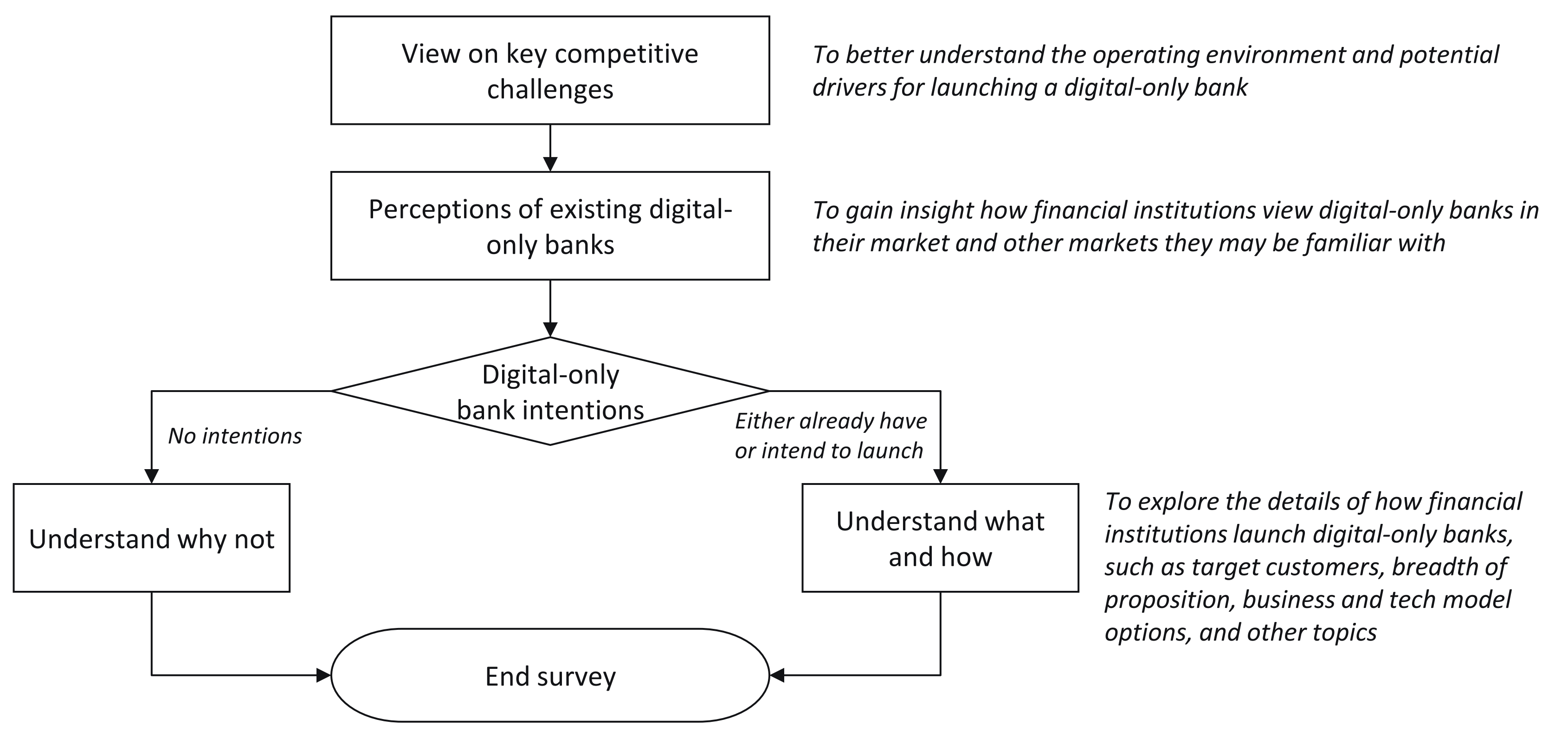
Celent defines digital-only bank as a banking entity operating primarily or exclusively through digital channels, with no or limited physical branch network.

The study assesses the appetite of financial institutions operating in the Gulf Cooperation Council (GCC) region – Bahrain, Saudi Arabia, Kuwait, Oman, the United Arab Emirates (UAE), and Qatar – to launch digital-only banks. It aims to shed the light on financial institution thinking and priorities and dives deeper into the existing and potential approaches for launching digital-only banks as well as the reasons for not pursuing it.

To capture the industry's sentiments directly, Celent surveyed 50 players in the GCC: 45 banks and 5 other entities (e.g., large fintechs, investors) operating in the region.

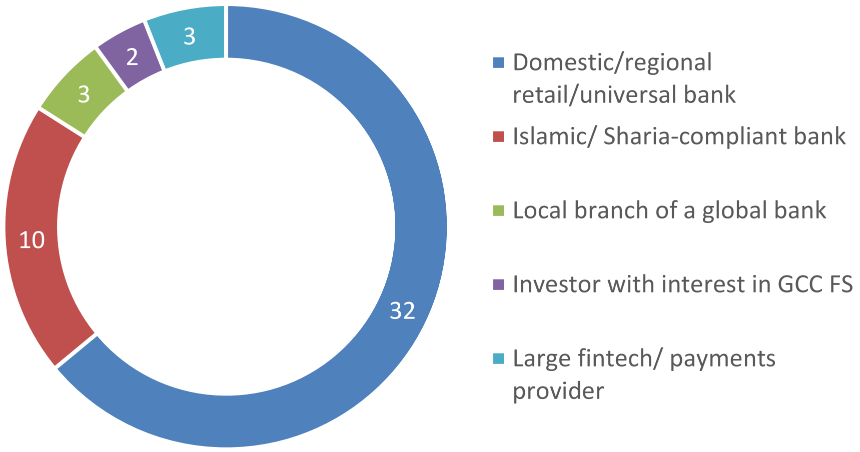
The research study was commissioned by Tata Consultancy Services (TCS), and detailed findings are only available to them. This high-level summary report was written independently by Celent.

Survey approach

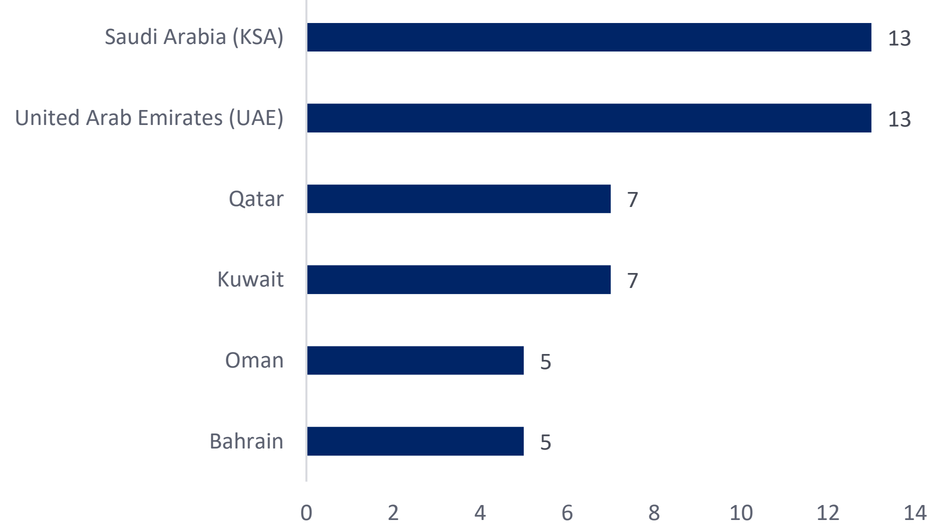


Survey demographics

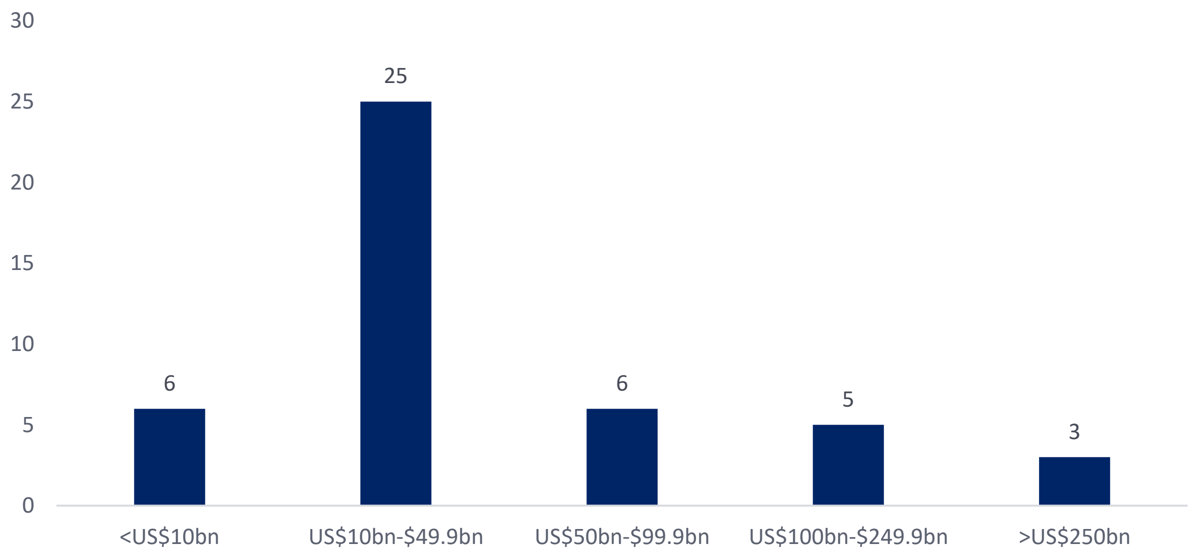
Survey respondents by type N=50



by country N=50



by size (banks only) N=45 (banks only)



- The survey was in-field for three weeks at late November 2025 – early December 2025.
- We are grateful to all participants for their time and insights. Individual responses are confidential, and nothing is attributed to specific identifiable respondents.

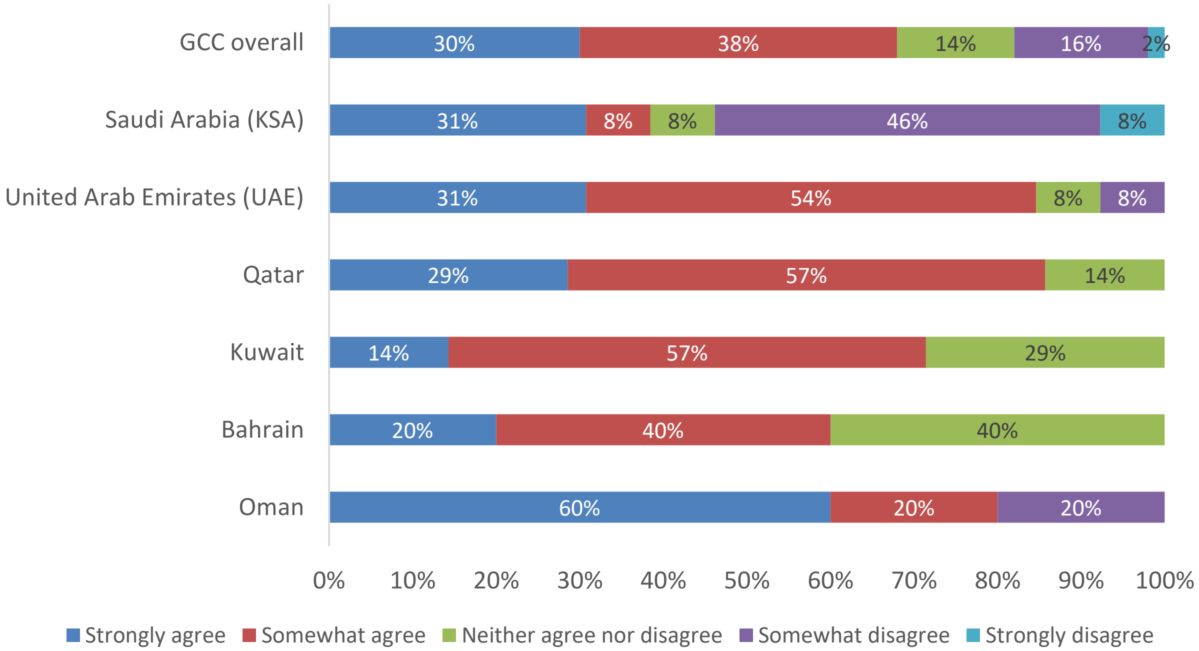
Key study findings

- The GCC is an attractive banking market with regulators seen as supportive of new entrants and new operating models, especially in Bahrain, Kuwait, and the UAE.
- Digital-only banks, i.e., banking entities that operate primarily through digital channels, are not new in the region; the early entrants were launched by traditional banks nearly a decade ago, but recently, the numbers have been growing, and the mix has been evolving. Celent study shows that 14 out of 50 respondents already have a digital-only bank in the market (28%), with eight of them launched in the last couple of years. Further 28 firms (56%) are at various stages of preparing to launch.
- Market participants view digital-only banks as an opportunity to reach new customers and modernize a traditional bank as well as formidable competitors taking share from traditional banks. According to the Celent study, 72% of GCC banks feel competitive pressure from fintechs, although this is yet to translate into significant margin pressure. Not surprisingly, banks launching digital-only banks want to be better-equipped to compete with fintechs, reduce cost-to-serve, and capture early digital-native customers.
- On the other hand, regulatory hurdles, existing branch network, and poor ROI, are the main reasons *not* to pursue digital-only banks, although competitor success might change hearts and minds. In the meantime, those players are looking to enhance digital product and channel offerings within the existing setup.
- Overall, 52% of GCC banks believe customers are ready for digital-only banks, especially retail mass market, youth, and SMEs. Savings, current accounts, and payments products aimed at these segments are at the core of digital-only bank propositions.
- Upcoming digital-only banks are more likely to operate as new entities with their own full banking license (46%), while the early ones were more likely to launch under the existing bank license (57%), reflecting recent changes in regulatory frameworks.
- To launch digital-only banks, banks are investing into cloud-based, modular, API-driven technology platforms, while often partnering for cards and payments, onboarding/ KYC, fraud, and analytics.
- Technology delivery, regulatory approval/ compliance, and customer acquisition are seen as the biggest challenges and execution risks. That is why banks value systems integrators; while they intend to deploy a range of approaches, nobody expects to manage technology integration in-house!
- It takes a considerable investment—up to $100 million and in some cases more—to launch a digital-only bank. However, ROI is not the main objective right away—primary success metrics are the number of active customers and customer acquisition cost. Nevertheless, and despite various challenges, the respondents are quite confident that their digital-only bank efforts will achieve intended outcomes by 2029.
- While the opportunity is there, banks and investors looking to launch a digital-only bank should consider how they will differentiate in the increasingly crowded market and which products will address the most pressing needs of the target segments. Partnering can help manage execution risks, but willingness and ability to invest considerable amounts with limited ROI in the early years is essential.

02
Market Context and Views on Digital-Only Banks

Overall, 68% of respondents see the GCC banking market as an attractive opportunity, except in Saudi Arabia, where 52% of respondents disagree

The level of agreement with the following statement:
“GCC banking market is fast-growing and represents an attractive opportunity”

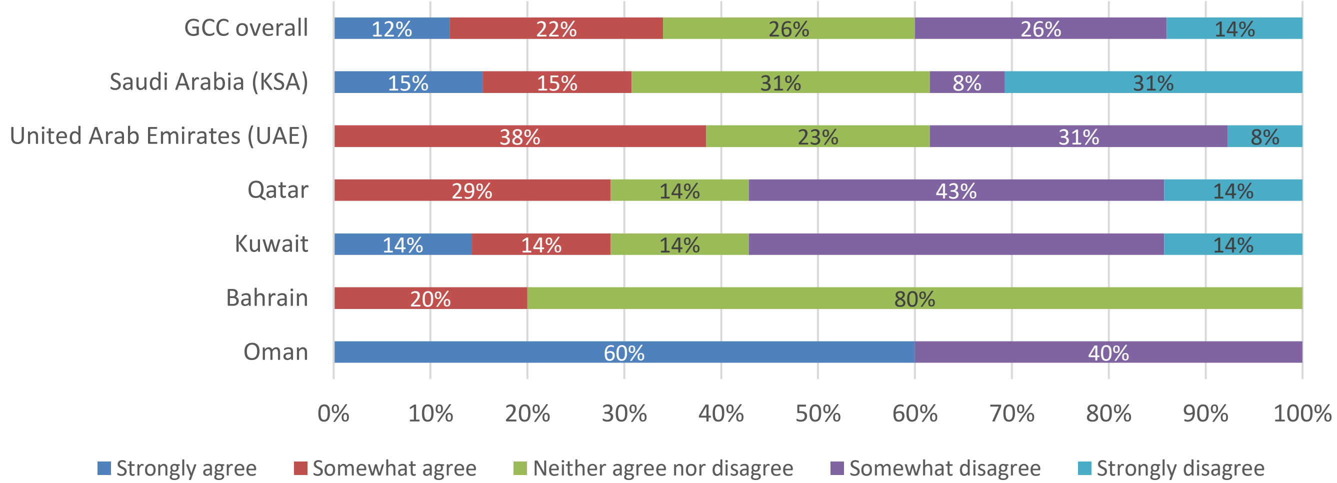


- According to GlobalData’s Banking and Payments Intelligence Centre (IC), leading GCC banks have reported robust financial performance in 2025, growing their loan books, maintaining strong credit ratings, robust asset quality, and sound risk management frameworks, despite facing sector-wide challenges like declining interest margins and lower profit levels attributable to global interest rate pressures and geopolitics.
- The sector has seen a sharp focus on digital innovation, such as instant payment services, digital trading platforms, and broader fintech collaboration, enhancing customer experience and operational agility across the region.
- Respondents to Celent’s survey agree: 68% of banks across the GCC region strongly or somewhat agree that GCC banking market is fast-growing and represents an attractive opportunity, with only 18% disagreeing. Banks in Qatar, the UAE, and Oman express the most positive sentiment, while banks in Saudi Arabia are the most sceptical with 52% of respondents disagreeing.

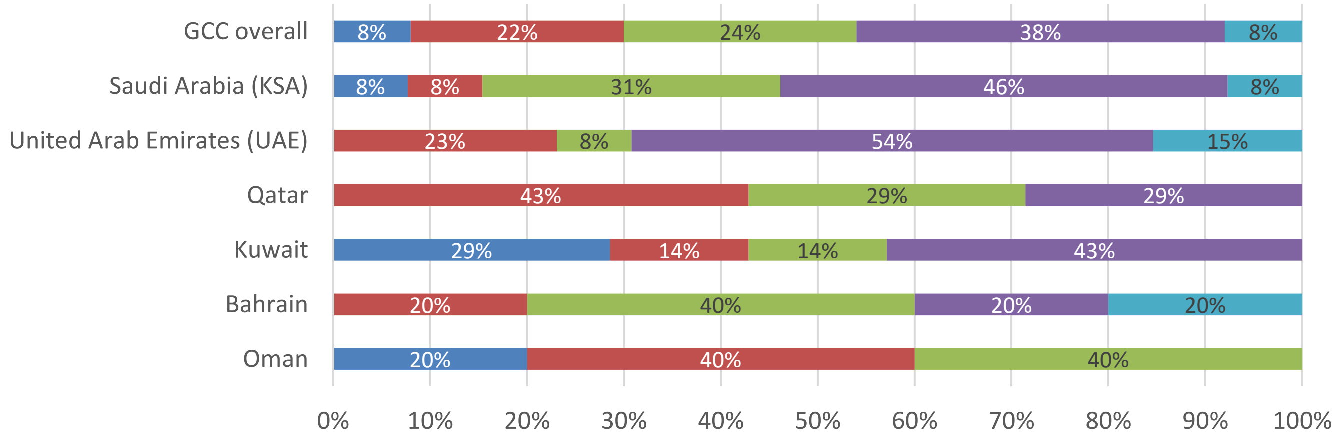
Q: What are your views of the GCC banking market and its competitive dynamics? Please indicate your agreement with the following statements.
Source: Celent GCC Market Study on Digital-Only Banks, n=50

Other than in Oman, banks tend to be rather positive of their ability to innovate and make the best use of new technologies

"Banks spend most of their budget on compliance and business-as-usual, rather than innovation"

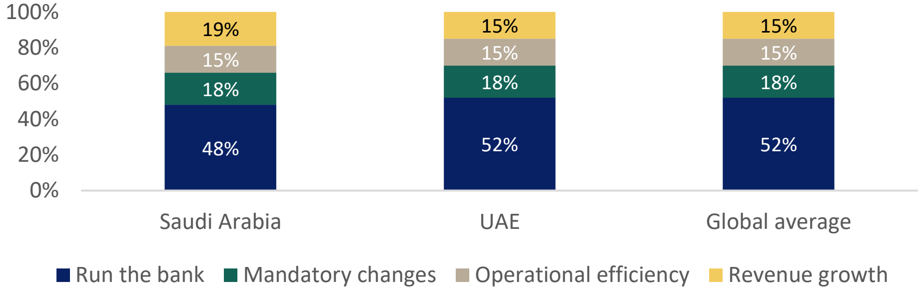


"Established banks find it difficult to make the best use of new technologies"



Q: What are your views of the GCC banking market and its competitive dynamics? Please indicate your agreement with the following statements.
Source: Celent GCC Market Study on Digital-Only Banks, n=50

- Celent asked about the degree to which banks agree with the statement that they spend most of their budget on compliance and business-as-usual, rather than innovation. Across the board, only 34% of banks agree, while 40% disagree, with 26% remaining neutral.
- This is an overly optimistic perspective. The recent Celent Dimensions study finds that only 30% of IT budgets at UAE banks are available to projects focused on revenue growth or operational efficiency, with 52% of budgets dedicated to "run the bank" and the remaining 18% used up by mandatory compliance projects, figures entirely consistent with global averages. Saudi Arabia banks fare a little better, requiring 48% of their IT budgets to "run the bank", freeing up an additional 4% to "change the bank" projects.

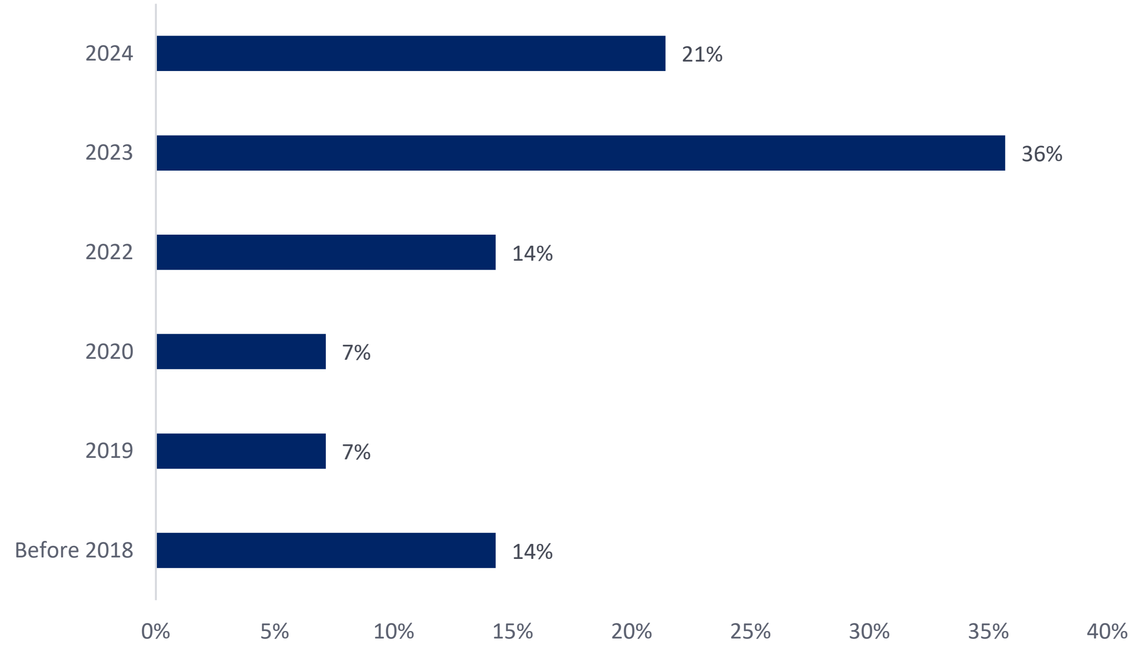


Source: Celent Dimensions Middle East & Africa Banking IT Pressures & Priorities 2025
N=28, 14 each in Saudi Arabia and the UAE

- GCC banks also believe that they can make the best use of new technologies—only 30% agree that they find it difficult to do so. That number, however, rises to 60% of respondents in Oman, and 43% in both Kuwait and Qatar.

The earliest digital-only banks in the GCC were launched before 2018, with numbers ramping up in the last couple of years

Majority of digital-only banks were launched in recent years



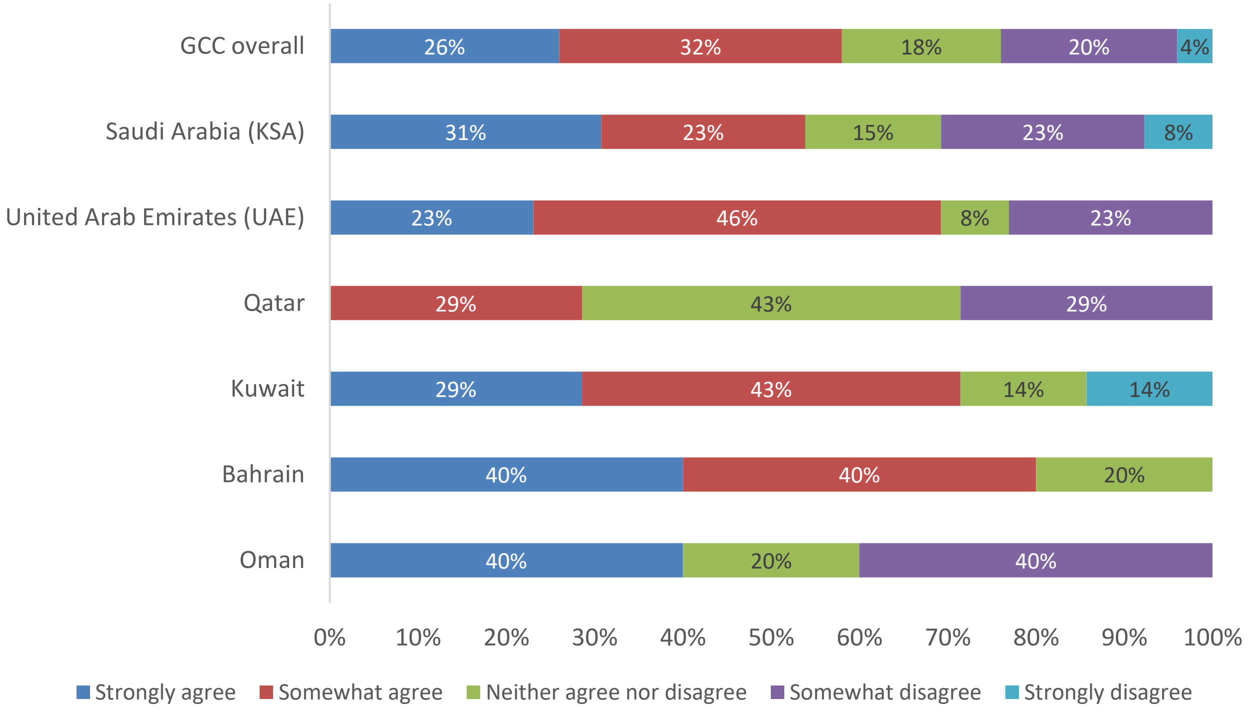
Q. When did you launch a digital-only bank? N=14
Source: Celent GCC Market Study on Digital-only Banks

Selected examples of digital-only banks in the GCC*

* From public announcements; not indicative of who responded to Celent survey
Source: press searches

The regulators are seen as supportive of new entrants and new operating models, especially in Bahrain, Kuwait, and the UAE

"The regulator is very supportive of new entrants and new operating models, e.g., digital-only banks"



Q: What are your views of the GCC banking market and its competitive dynamics?
Please indicate your agreement with the following statements.
Source: Celent GCC Market Study on Digital-only Banks, n=50

Snapshot of relevant GCC regulatory environment

While there is no license that would enable digital banks to operate across the region, the individual central banks (e.g., SAMA in Saudi Arabia, CBUAE in the UAE, QCB in Qatar, CBB in Bahrain) issue unique licenses for digital banks, requiring detailed technology plans and proof of financial stability. Examples include:

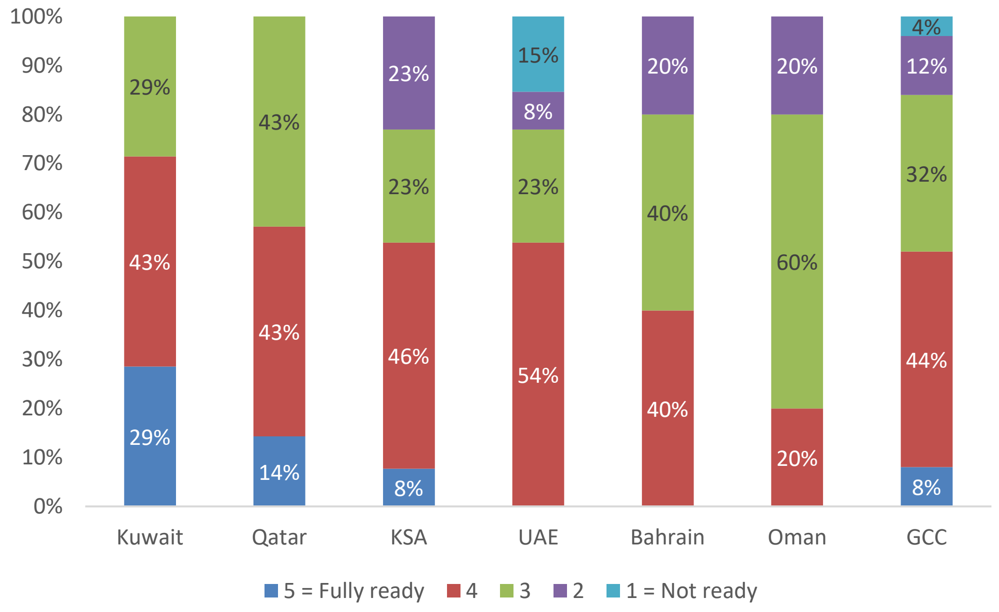
Bahrain	Prospective digital banks must obtain the appropriate license from the CBB, which provides a FinTech Regulatory Sandbox.
Oman	Comprehensive Regulatory Framework introduced in June 2025. Key requirements for digital banks include: mandatory physical presence for license holders, strict AML, cybersecurity, digital onboarding (e-KYC), anti-fraud, and consumer protection standards. Two categories of digital bank licenses with different capital requirements (full banking operations, min OR30m, and limited operations, min OR10m.
Saudi Arabia	SAMA is positioning the country as a leader in digital banking with is National Vision 2030 and license expansion—it recently licensed two fully digital banks (D360 and STC Bank) as part of the Financial Services Development Program.
Kuwait	The CBK issued specific guidelines for digital banks in February 2022, covering structure, activities, and procedures, and has since introduced stricter rules, focusing on innovation while ensuring security and consumer protection.
UAE	New CBUAE Law enacted in October 2025 expands the central bank's scope to cover any entity facilitating licensed activities digitally, including tech providers, payment processors, and virtual asset services.

Source: GlobalData Banking and Payments IC, Celent press searches

Overall, 52% of GCC banks believe customers are ready for digital-only banks, especially retail mass market, youth, and SMEs

Customer Readiness for Digital-Only Banks

Q. On a scale 1–5, how would you rate customer readiness for a digital-only bank in your market?

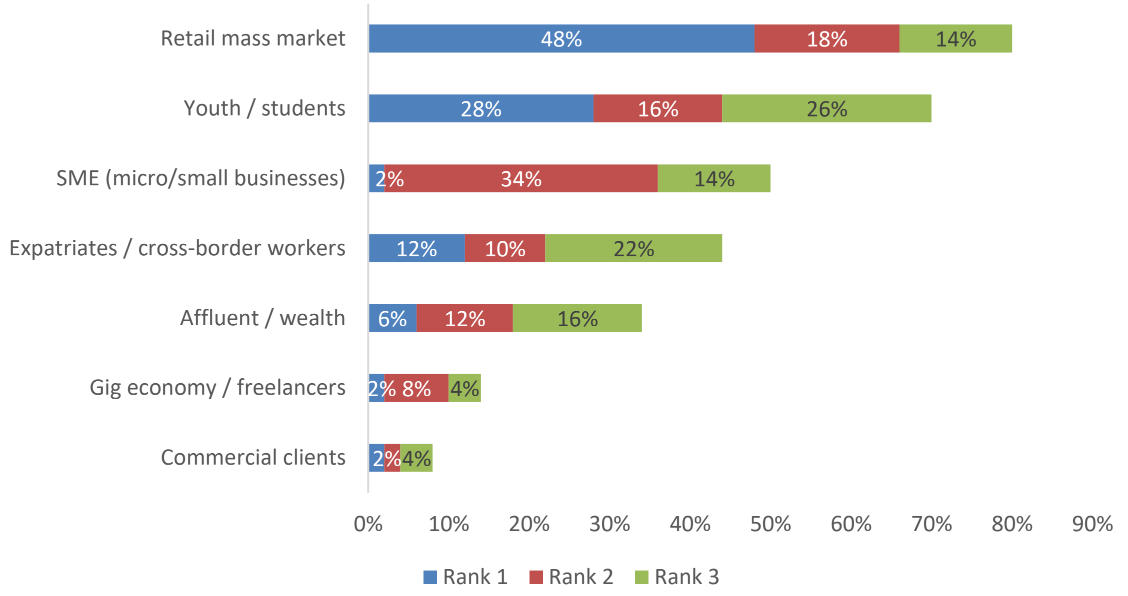


- Kuwait and Qatar are the markets where respondents are most positive about customer readiness for digital-only banks – nobody said customers weren't ready.
- Bahrain and Oman appear to be the most sceptical with 40-60% respondents staying neutral and 20% believing customers are not ready.

Source: Celent GCC Market Study on Digital-only Banks, n=50

Customer Segment Readiness for Digital-Only Banks

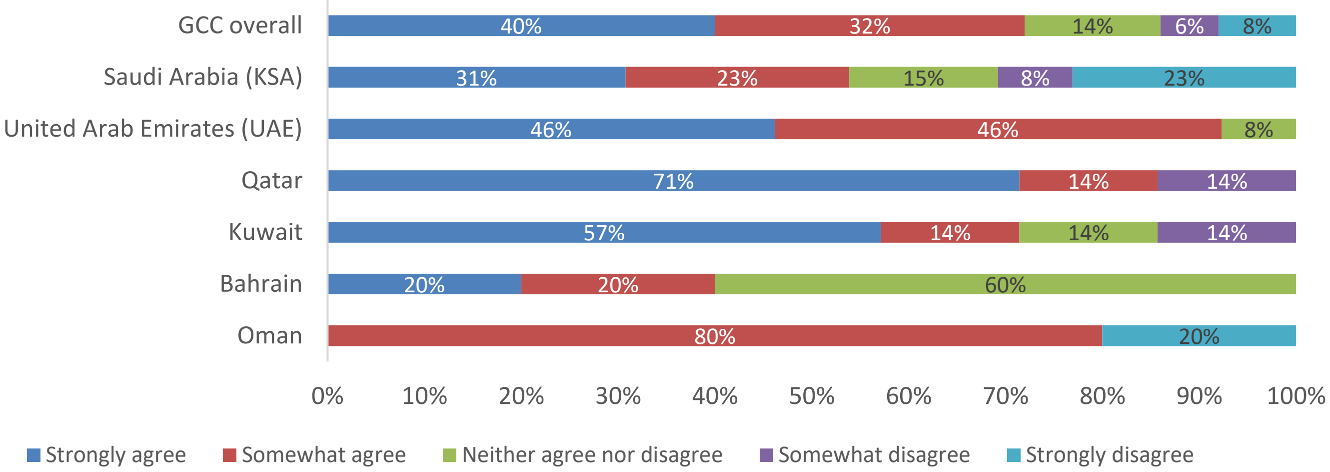
Q. Which customer segments show the highest readiness?



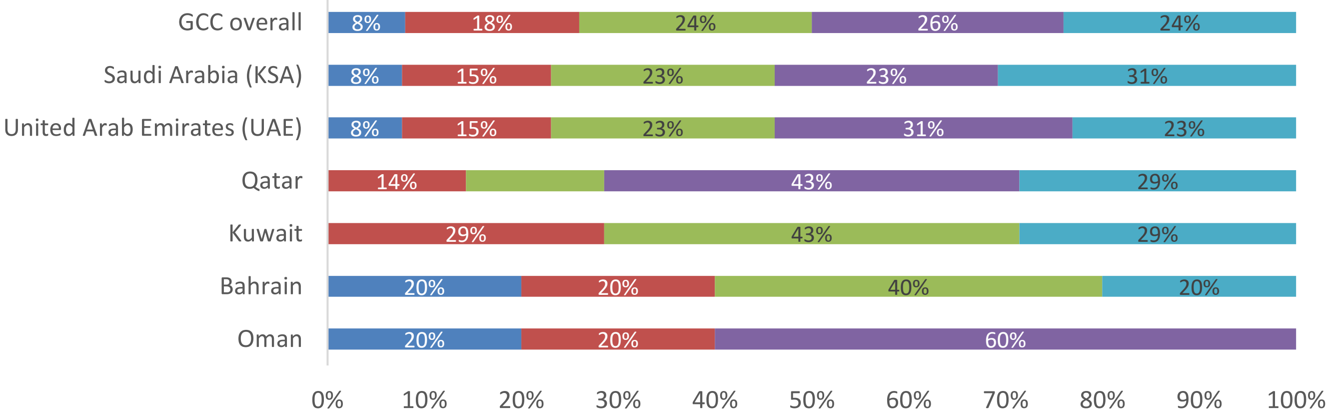
- Overall, retail clients – both mass market and specific segments like youth – are seen as much more ready for digital-only banks than commercial clients, but there are some interesting differences by market in the GCC. For example:
  - In the UAE, youth is strong #1 with 38% votes; expats and affluent also come up strongly with 54% and 46% respondents identifying them as one of top 3 priorities.
  - In Saudi Arabia, retail mass market is 77% as #1, while the youth/ students segment's top 3 total percentage is 77%. For expats, it's 54%.
  - In Bahrain, while retail mass market and youth are both at 40% in the #1 slot, 100% have SMEs as a top 3, with 80% having it as #2.
  - In Oman, expats are at 80% as a top 3 priority, while in Kuwait, SMEs are at 71%

While 72% of GCC banks feel competitive pressure from fintechs, this is yet to translate into significant margin pressure

“GCC banks are facing intense competitive pressure from fintechs and digital banks”

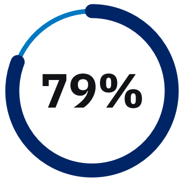


“Traditional banks are feeling significant margin pressure”



Q: What are your views of the GCC banking market and its competitive dynamics? Please indicate your agreement with the following statements.
Source: Celent GCC Market Study on Digital-only Banks, n=50

- Across the region, 72% of banks report facing intense competitive pressure from fintechs and digital banks.
- Banks in the UAE and Qatar are the most vocal, with 92% and 85% of respondents agreeing with this statement.
- Not only is the competitive pressure intense, it is also growing. According to the most recent Celent Dimensions study:



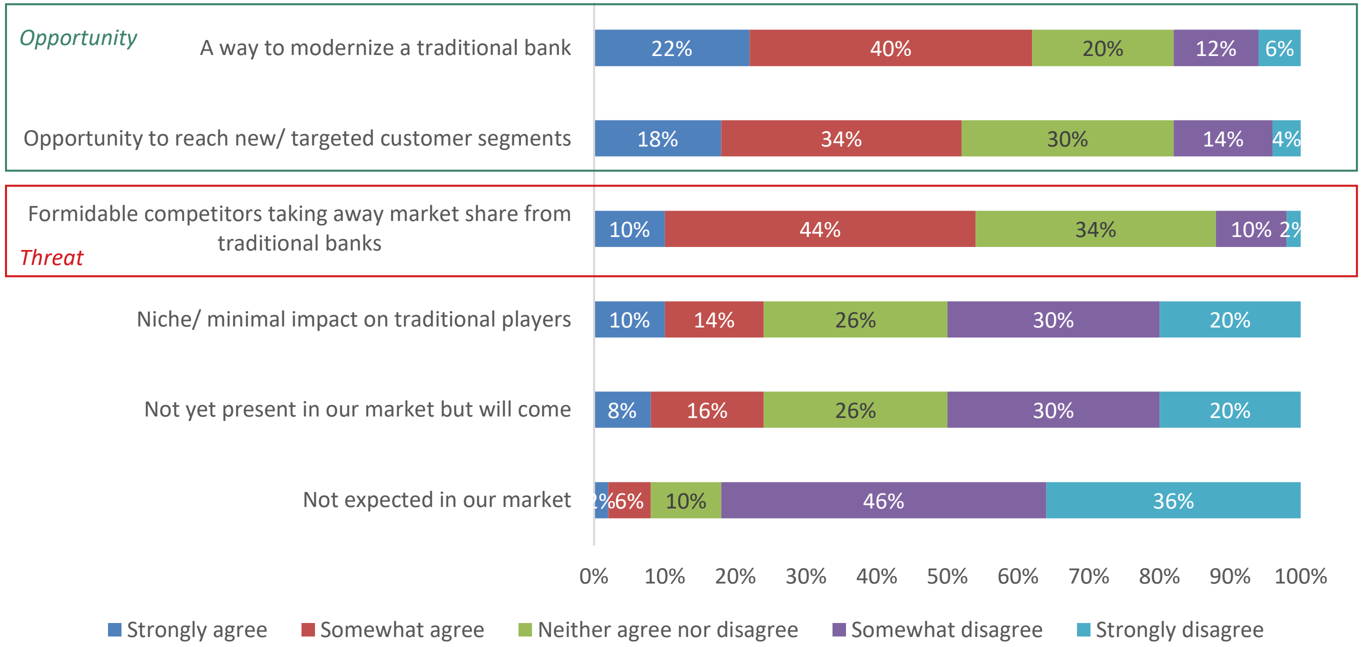
of banks in the UAE and Saudi Arabia believe that the competitive threat from fintechs and other challengers is increasing.

Source: Celent Dimensions Middle East & Africa Banking IT Pressures & Priorities 2025
N=28, 14 each in Saudi Arabia and UAE

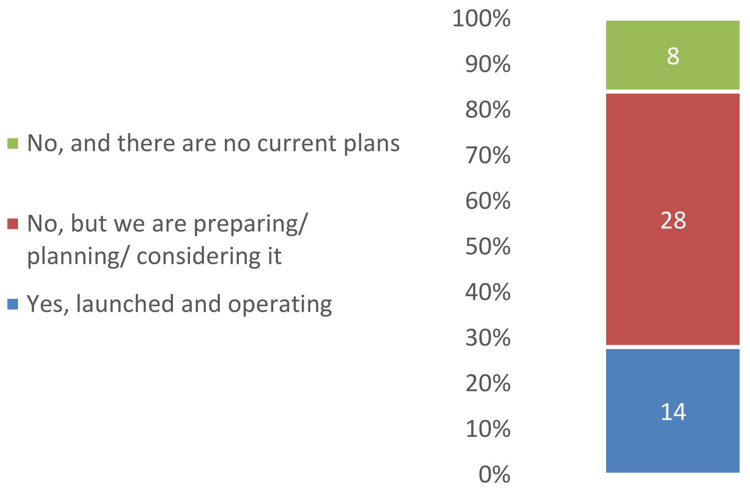
- However, banks are yet to feel significant margin pressure – 50% of banks across the region disagree with such assertion.
- While claiming to feel intense pressure from fintechs, Qatari banks seem to be able to withstand that pressure very well. Banks in Kuwait and Bahrain appear to be the most concerned around the impact on margins, with Kuwaiti banks being seemingly polarized with the same percentage as 29% somewhat agree and strongly disagree.

Digital-only banks are seen as both a threat and an opportunity to capitalize on

Q. What is your view of digital-only banks, either in your or other markets that you are familiar with? Please indicate your agreement with the following statements.



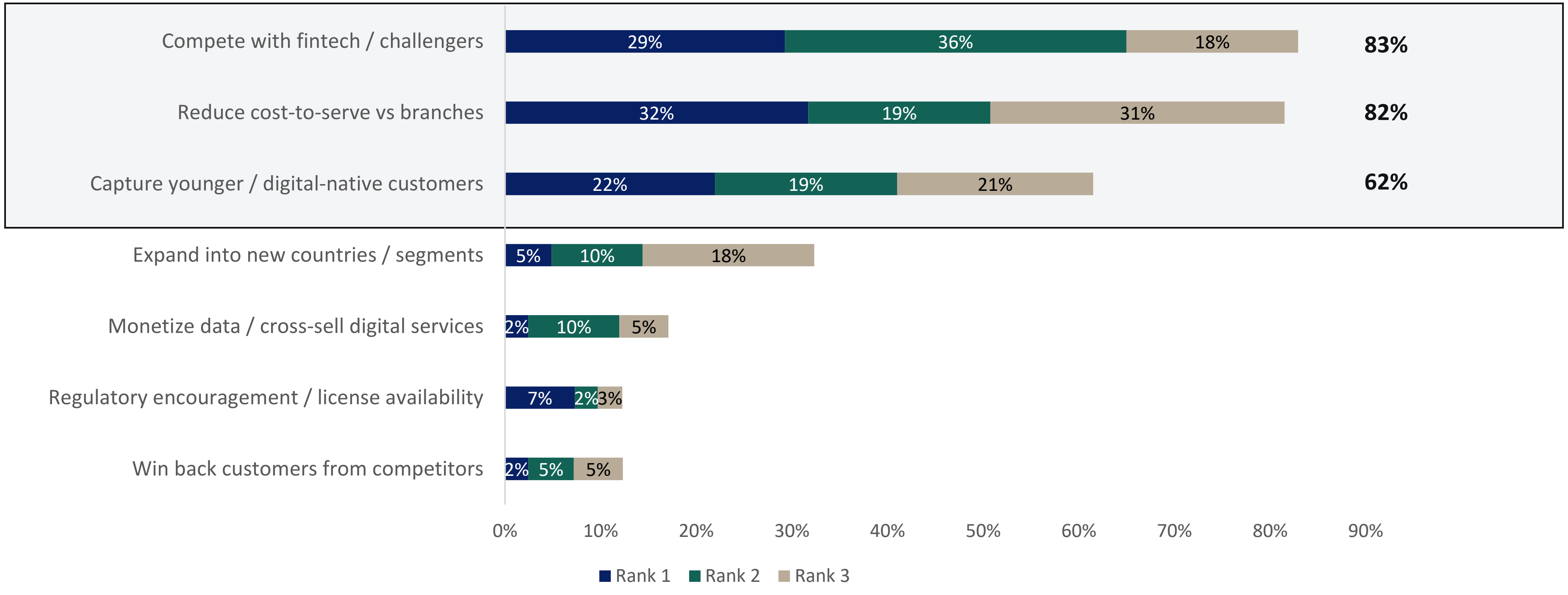
Q. Has your institution already launched/ invested in a digital-only bank?



Source: Celent GCC Market Study on Digital-only Banks, n=50

Competing with fintechs, reducing costs, and capturing younger customers are top three reasons for launching digital-only banks

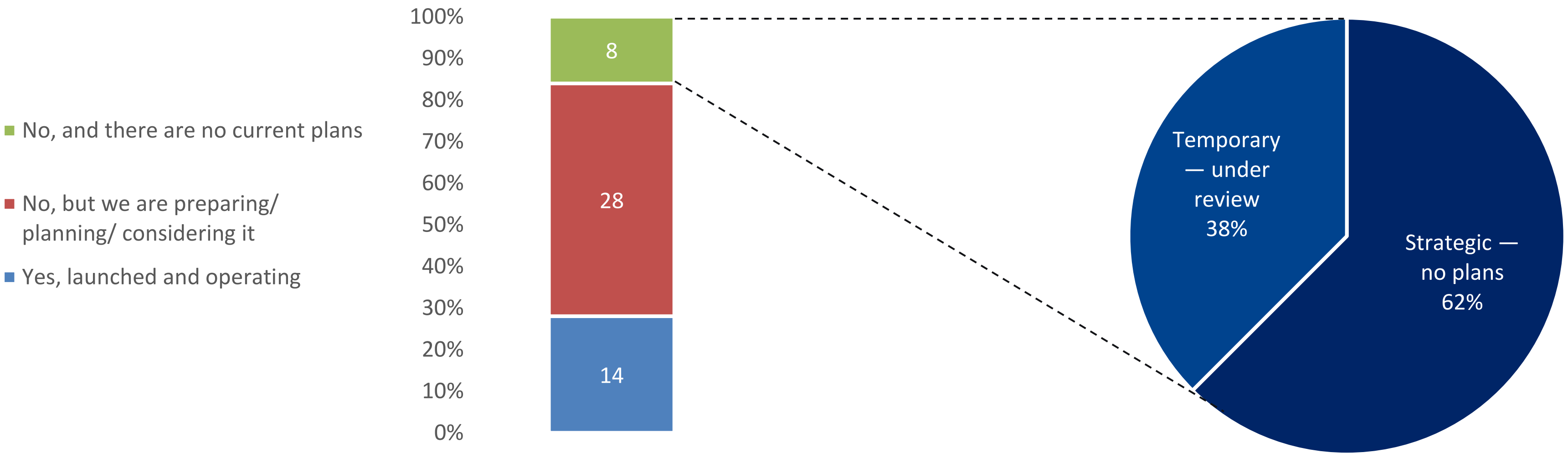
Strategic Rationale for Launching a Digital-Only Bank



Q. What is the strategic rationale? Please rank the top 3
Source: Celent GCC Market Study on Digital-only Banks, N=42

For five respondents in the GCC that have no plans to launch a digital-only bank, the decision is strategic; three are still open to reviewing it

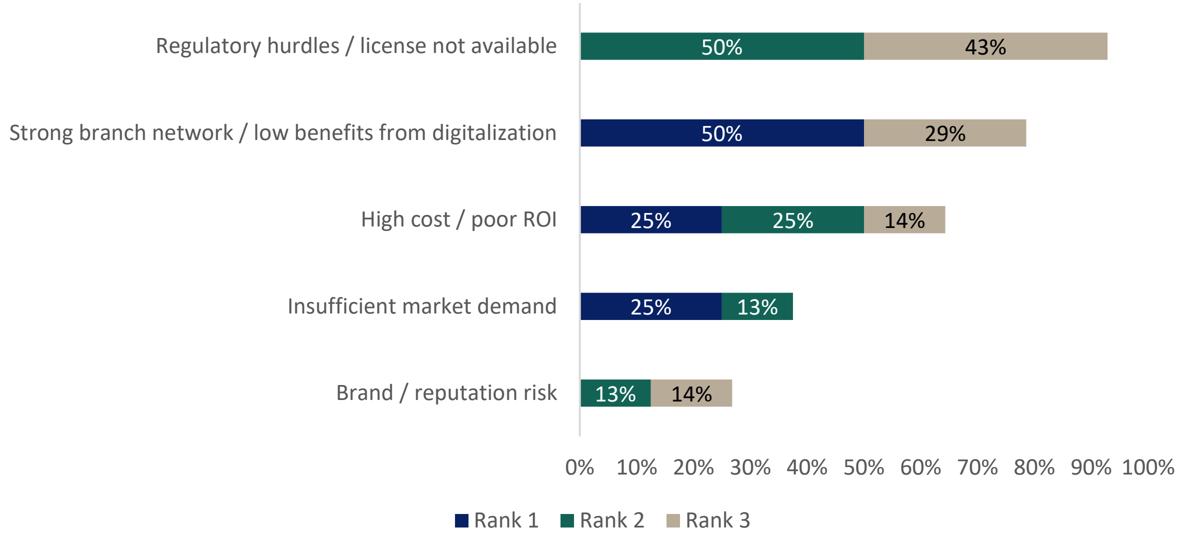
Q: Is your decision temporary (e.g., under review) or strategic (e.g., no plans for foreseeable future)? N=8



Source: Celent GCC Market Study on Digital-only Banks

Regulatory hurdles, existing branch network, and poor ROI are the main reasons not to pursue DOBs, but competitor success might change minds

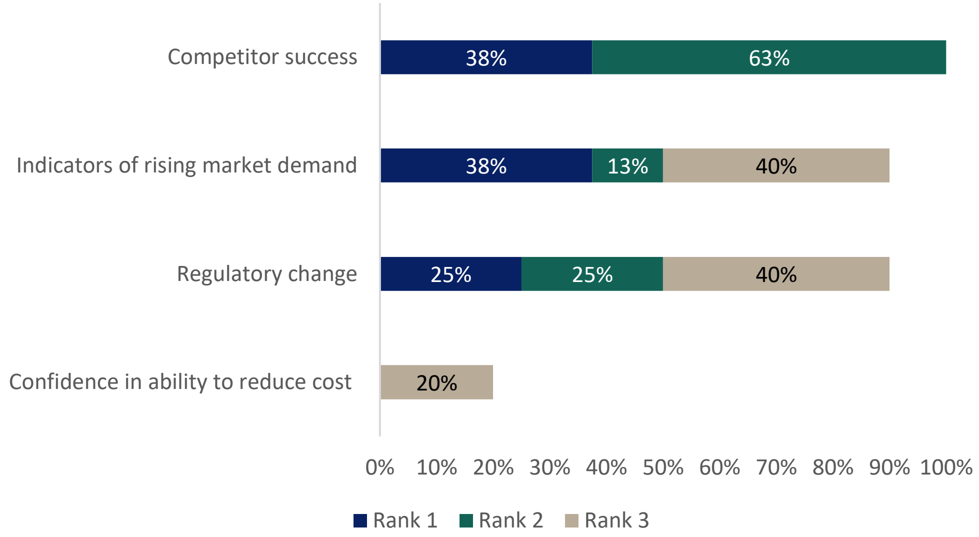
Reasons for Not Pursuing Digital-only Bank



- While nearly everyone mentioned regulatory hurdles and it came highest in the top 3 rankings, strong branch network, high costs / poor ROI, and lack of demand were mentioned more often as #1 reasons.
- These reasons were selected from a longer available list, which also included the following:
  - Cannibalization of core business
  - Lack of digital talent/ capabilities
  - Legacy technology
  - Preference for partnering rather than building
  - Competition too strong

Q. What are the reasons for not pursuing a digital-only bank? Rank top 3
Source: Celent GCC Market Study on Digital-only Banks, n=8

Factors that Would Cause to Reconsider

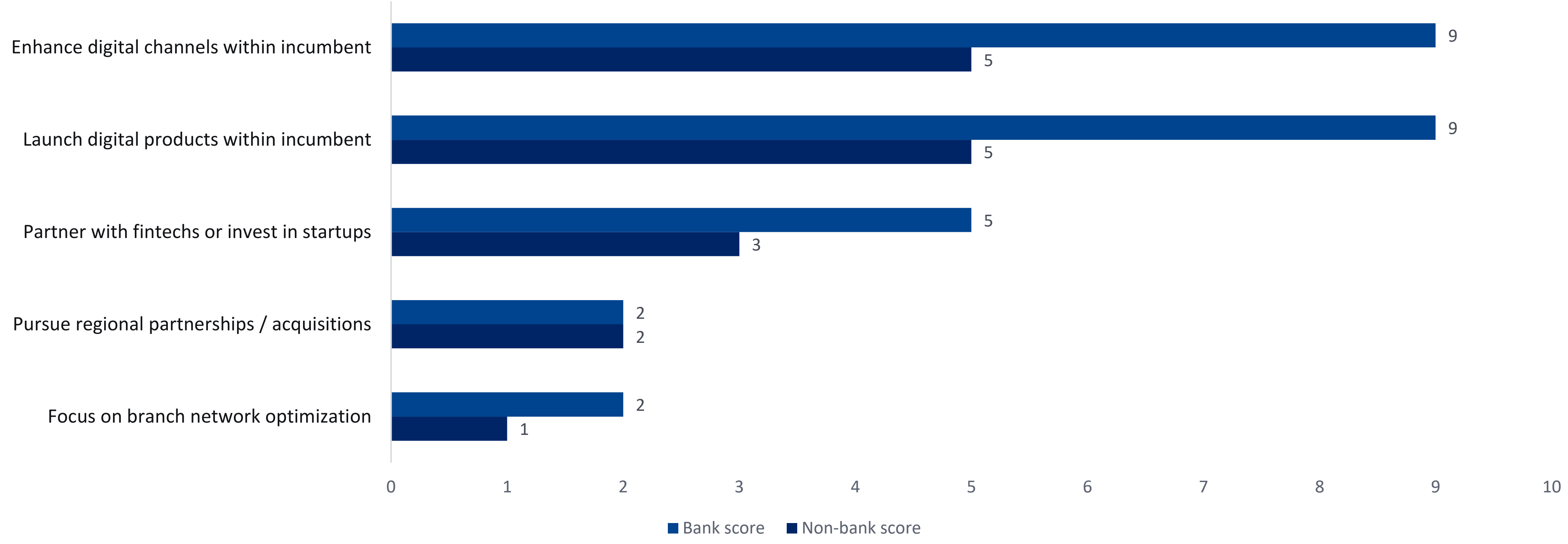


- Competitor success, rising market demand, and regulatory change are the key factors that would cause the banks to reconsider DOB opportunity.
- One respondent would like to increase their confidence in its ability to manage costs.
- Nobody mentioned 'confidence in ability to handle technology challenges', which was also offered as an option.

Q. Under what circumstances would you reconsider launching a digital-only bank? Rank top 3
Source: Celent GCC Market Study on Digital-only Banks, n=8

In the meantime, those players are looking to enhance digital product and channel offerings within the existing setup

Q: What alternative strategies are you pursuing, please rank top 3? N=8



- Respondents were asked to rank the top 3 alternative strategies they are pursuing.
- The score is calculated by assigning 3 points to Rank 1, 2 to Rank 2, and 1 to Rank 3 and adding them up.
- Bank score includes all types of banks – domestic, Islamic, and local branches of global banks.
- Non-bank score includes investors and fintechs/ payment companies.

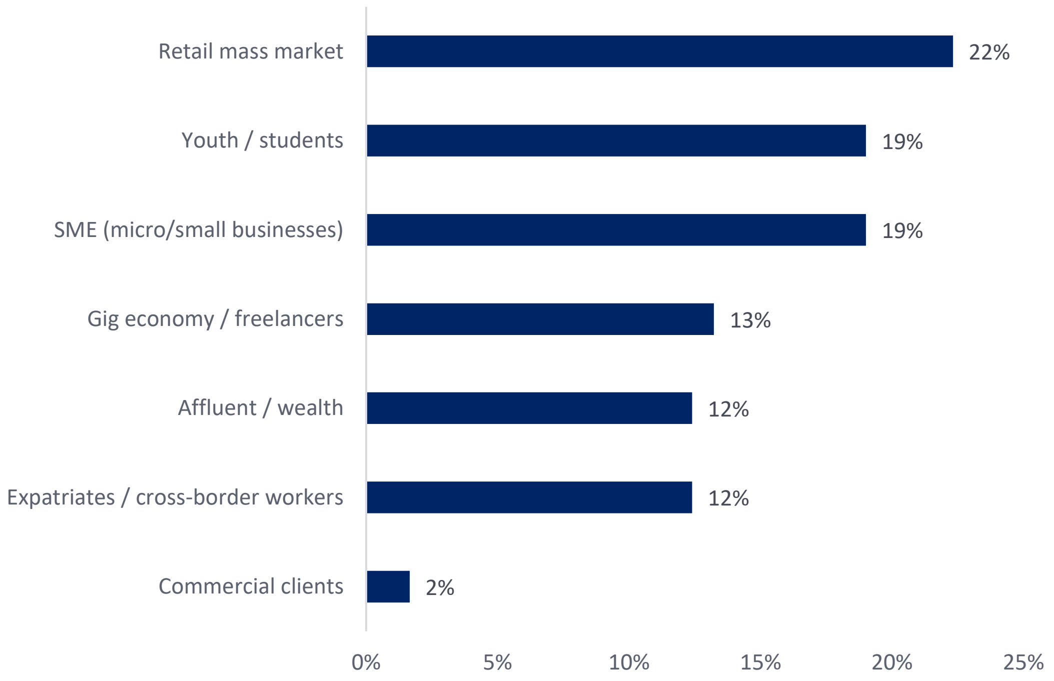
Source: Celent GCC Market Study on Digital-only Banks

03
Digital-Only Bank Strategies and Operating Models

Savings, current accounts, and payments products aimed at retail mass market, youth, and SMEs are at the core of DOB propositions in the GCC

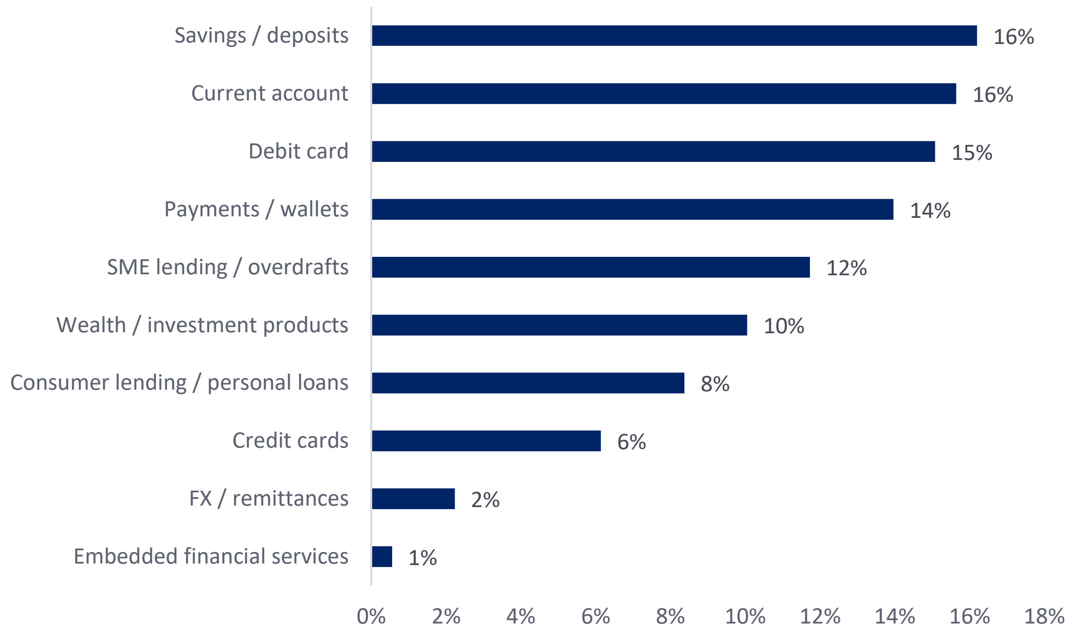
Target Customer Segments for Digital-Only Bank

Q. What are/ were your intended target customer segments (select all that apply)?



Core Initial Product Set for Digital-Only Bank

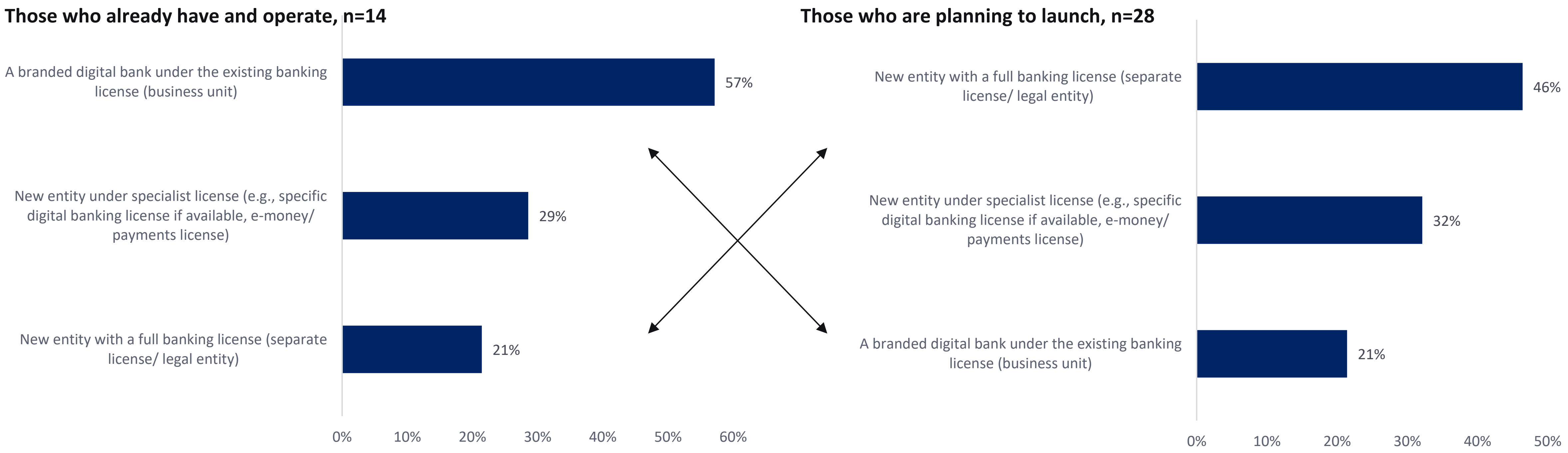
Q. What is/ was your intended core initial product set (select all that apply)?



Source: Celent GCC Market Study on Digital-only Banks, n=42: all that launched or intend to launch DOB

Upcoming DOBs are more likely to operate as new entities with full banking license, while the early ones launched under existing bank license

Digital-Only Bank Operating and Licensing Model



Q. What is/ was/ expected operating and licensing model?
Source: Celent GCC Market Study on Digital-only Banks

For technology, banks have gone for modular cloud-based core banking platforms supplemented with selected partner solutions

Core platforms are cloud-based, modular, API-driven, and a mixture of vendor, in-house, and hybrid solutions (verbatim responses)

"
- A **cloud-based core banking system** that handles accounts, payments, deposits, and lending in real time."
- We adopted a **cloud-first core banking** platform with regular vendor support.
- We use a **modern digital core platform** and collaborate with vendors for card processing and digital identity verification.
- The platform is **modular and API-driven**, allowing rapid onboarding of new remittance corridors and instant settlement features
- **Smart-contract-based core system** enabling flexible product rules and automated workflows.
- Real-time payments and FX platform enabling instant transfers, cross-border remittances, and multi-currency accounts.
- Our core is custom-developed internally to integrate seamlessly with other services.
- Our core banking system is a hybrid of in-house and vendor solutions. "

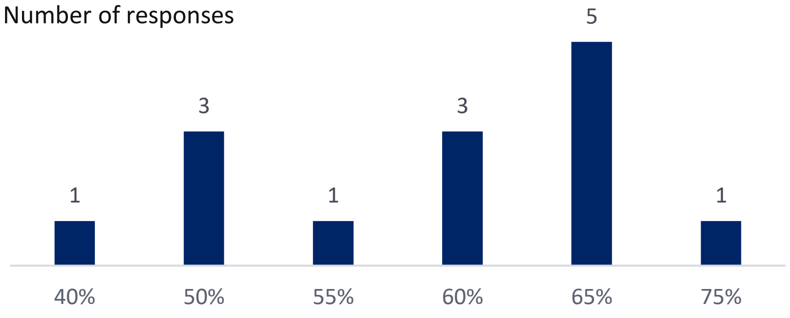
Q. Please tell us briefly about the technology environment for your digital-only bank, n=14
Source: Celent GCC Market Study on Digital-only Banks

Partner solutions are used mostly for cards and payments, onboarding/ KYC, fraud, and analytics (verbatim responses)

"
- We collaborate with vendors for **real-time payments** and **fraud monitoring**.
- We integrate with third-party providers for **cards, digital wallets, and loyalty solutions**.
- Our **card and wallet** services are powered by external technology partners.
- Supports Apple Pay, Google Pay, Samsung Pay, and NFC payments.
- **Payments orchestration** provider for domestic/international transfers, wallets, and gateway routing.
- **Digital onboarding & KYC** tools that let customers verify their identity and sign documents electronically.
- **Fraud detection and cybersecurity** tool for monitoring digital transactions in real time to ensure secure banking.
- Specialist partners help with **analytics, customer engagement, and data insights**. "

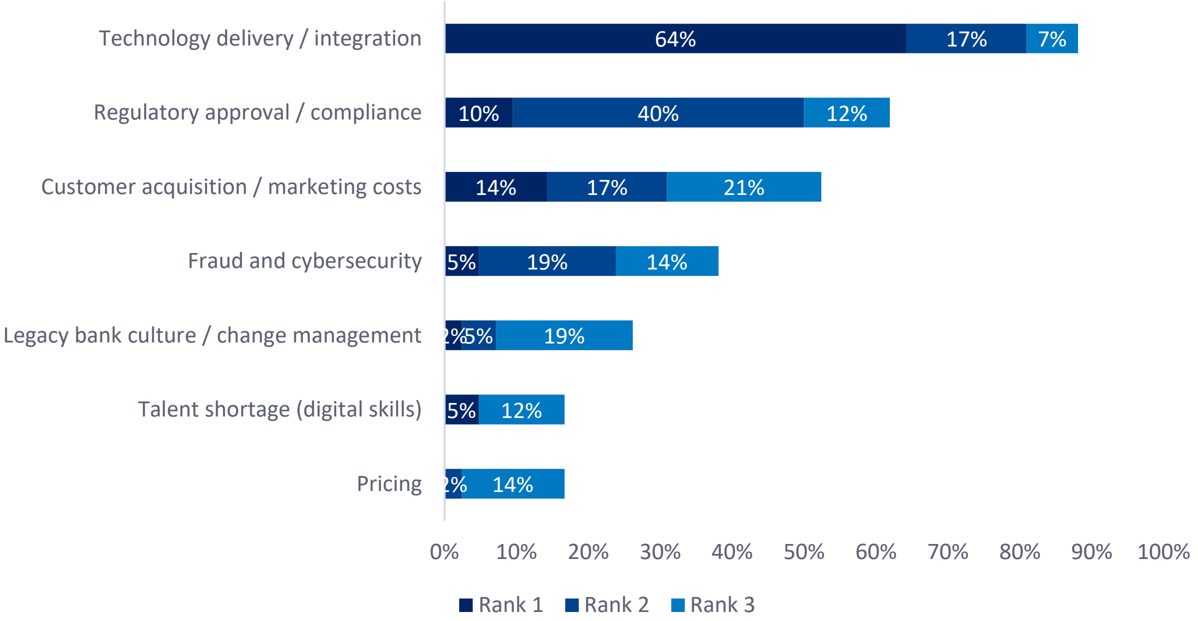
Third-party modules represent 40–75% of technology components at DOBs

Number of responses

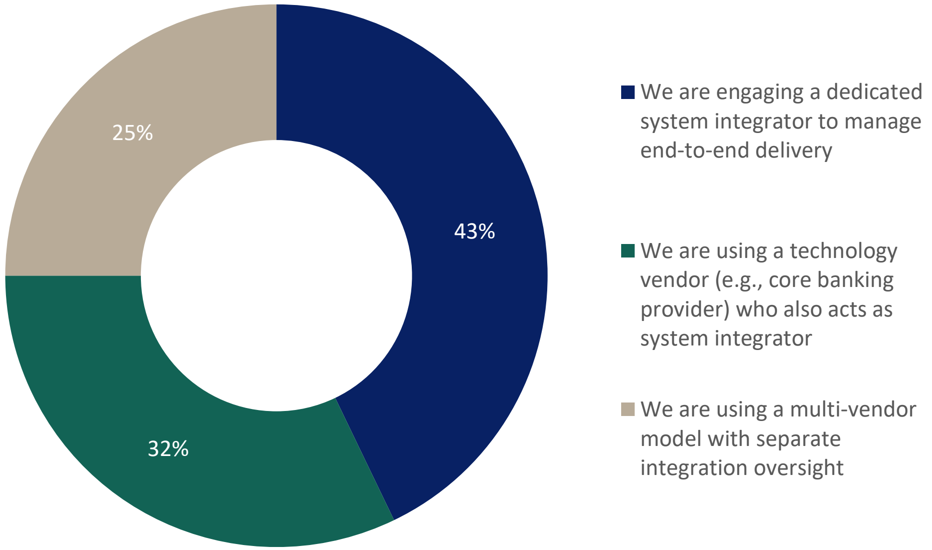


Key challenges include technology delivery, regulatory compliance, and customer acquisition, which is why banks value systems integrators

Actual and Perceived Challenges and Execution Risks



Banks plan to rely on systems integrators; nobody is doing it in-house!

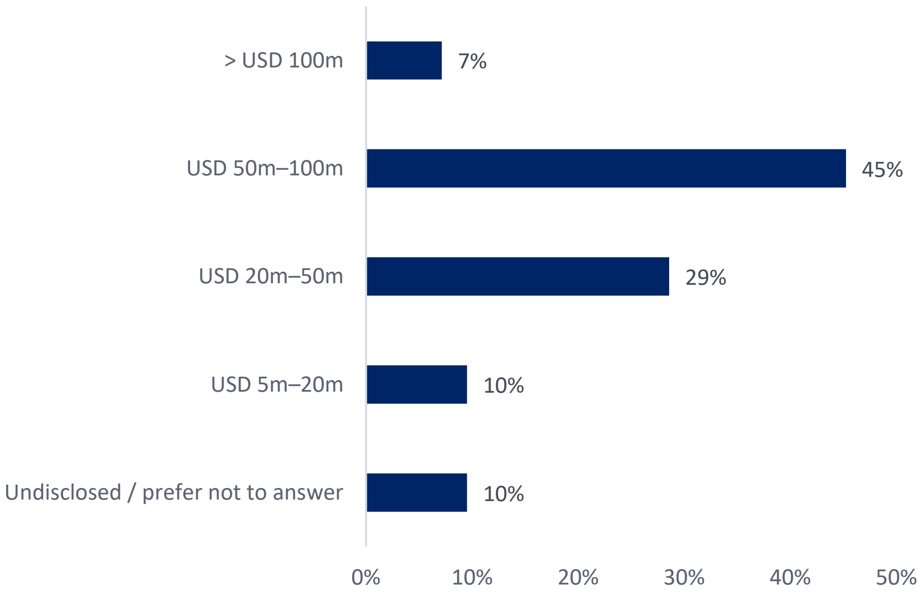


Q. What were the key challenges for you to overcome? N=14; What do you perceive to be key challenges/ execution risks? N=28
Source: Celent GCC Market Study on Digital-only Banks

Q. What is your approach to systems integration for your digital-only bank initiative? N=28

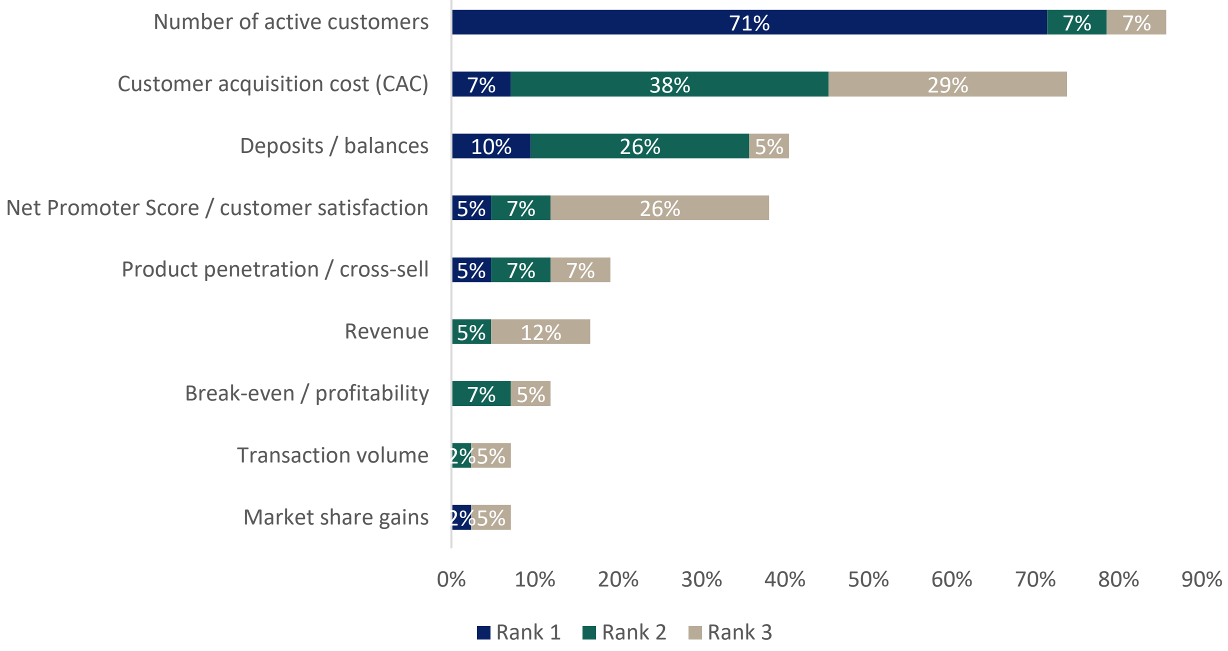
Banks are committing a considerable investment to launch DOB, but ROI is not the main objective right away

Digital-Only Bank Initial Investment Budget in USD



Q. What is/ was the approximate initial investment budget in USD?
Source: Celent GCC Market Study on Digital-only Banks, N=42

Success Metrics for the First 36 Months

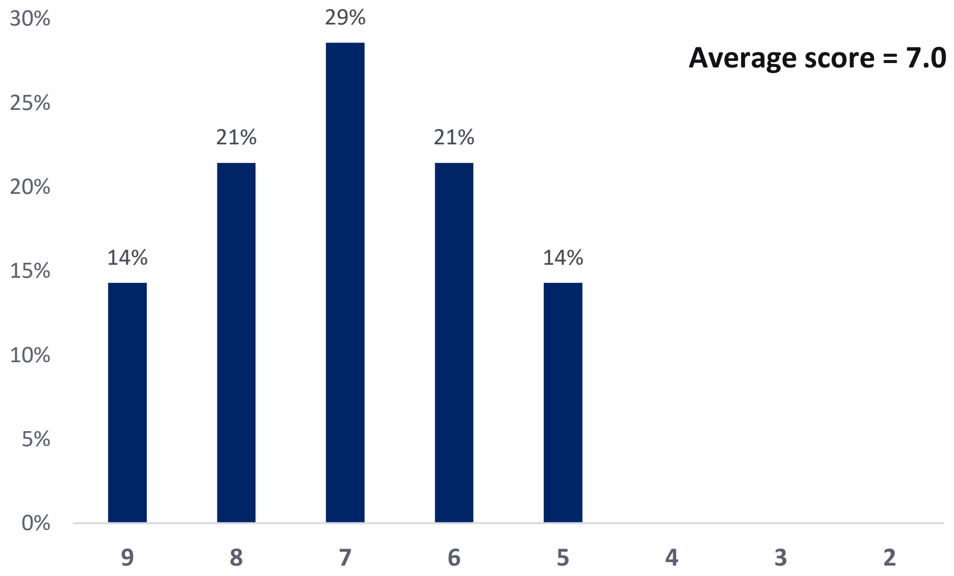


Q. What are the top 3 success metrics for the first 36 months?
Source: Celent GCC Market Study on Digital-only Banks, N=42

Overall, and despite various challenges, the respondents are rather confident that their DOB efforts will achieve intended outcomes

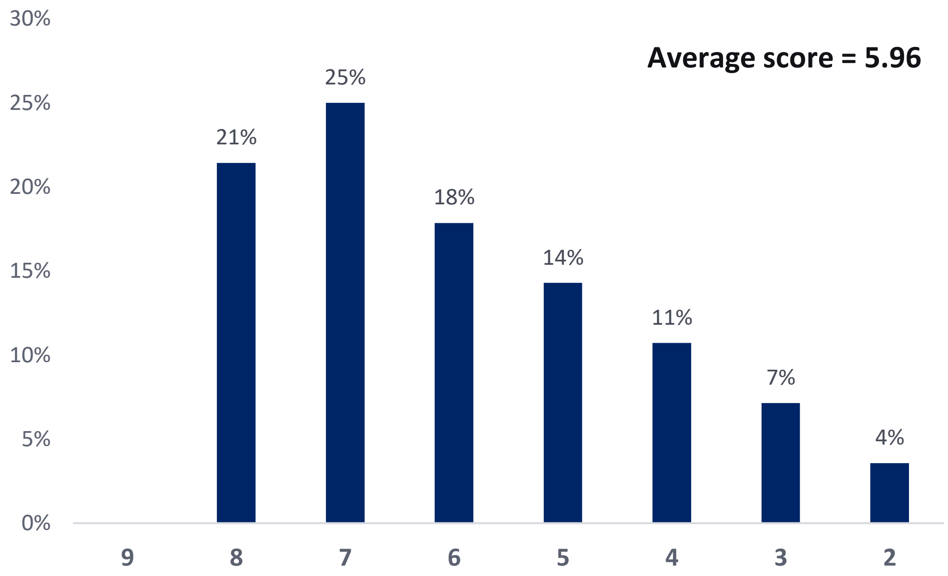
Confidence Score to Achieve Intended Outcomes in the Next Three Years

Those who already have and operate, n=14



- Banks already in the market are rather confident with only two respondents scoring at 5, while two other respondents scored 9.

Those who are planning to launch, n=28



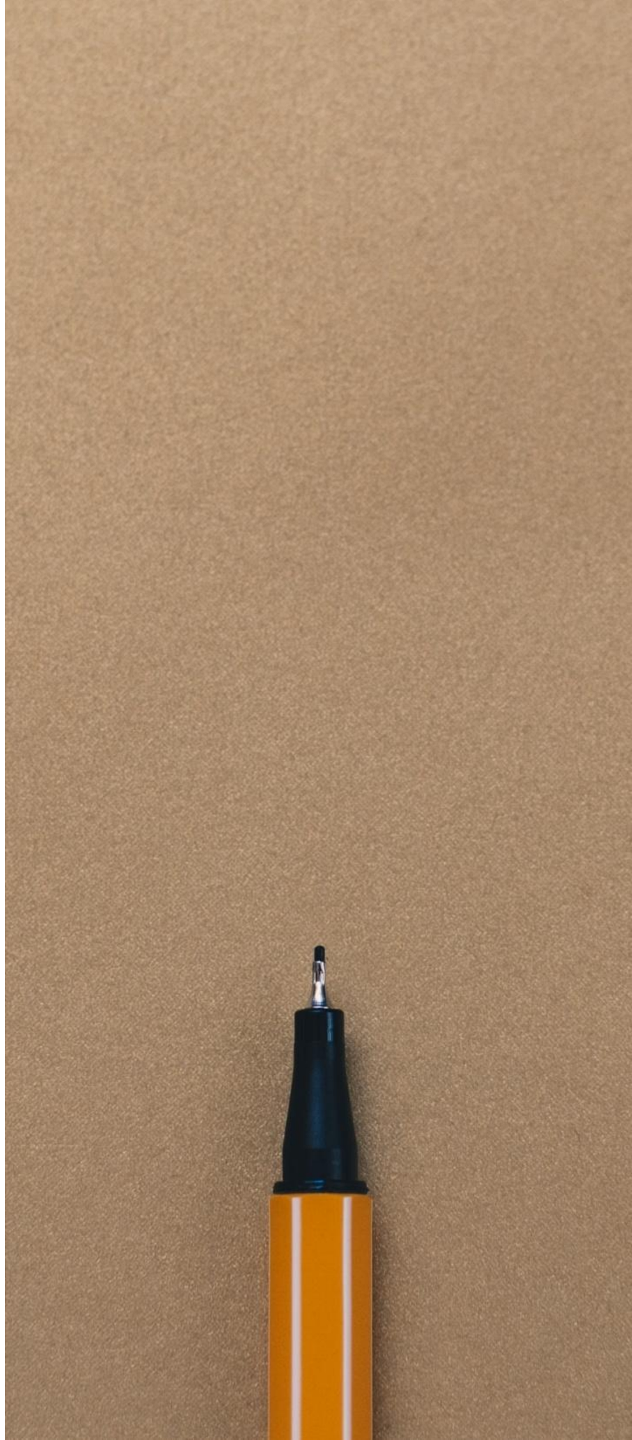
- Banks planning to launch are slightly less confident than their counterparts already in the GCC market, with an average score of 6, but six participants have scored themselves as 2, 3, and 4.
- While this reflects recognition that the market is getting more crowded, it also likely to be influenced by the timeframe – some participants are more than 2-3 years away from launch, so understandably are not likely to achieve their desired outcomes by 2029.

Q. On a scale of 0–10, how confident are you that your institution will achieve its intended outcomes with respect to digital-only banking in the next three years?
Source: Celent GCC Market Study on Digital-only Banks

04
Path Forward

Celent’s recommendations for banks and investors in the region

- While the GCC banking market remains attractive, competition is intensifying with many digital-only banking propositions launched recently and more on the way.
- Banks and investors looking to launch a digital-only bank should consider:
  - **Differentiated value proposition**, targeting segments that might be underserved, including SMEs and larger commercial clients;
  - **Tailored and focused product set**, addressing the most pressing needs of the target segment;
  - **Operating model options**; if available in the market, a specialist license may be more appropriate than a full banking license;
  - **Partnering for technology delivery**; solution providers and systems integrators can bring value beyond technology and program management;
  - **Willingness and ability to invest** considerable amounts with limited ROI in the early years.



05
Related Celent Research

Related Celent Research

Launching a Digital-First Bank in 6 Months: A Case Study on Al Maryah Community Bank's Partnership with TCS
February 2026 (forthcoming)

Emirates NBD: Transforming and Future Proofing Payments
August 2025

Emirates NBD: Liv. by Emirates NBD
April 2020

Technology Trends Previsory, Retail Banking and Payments: 2026 Edition
November 2025

Dimensions: Middle East and Africa Banking IT Pressures & Priorities 2025
October 2025

Dimensions: Retail Banking IT Pressures & Priorities 2025
March 2025

Rethinking Your Digital Wallet Strategy: From Payments to Identity and Agentic Commerce
June 2025

A Future of European Payments: Getting Ready for a Seismic Shift in Commerce
May 2025

Shedding Light on Agentic AI in Banking
April 2025

The Steady Rise of Open Finance
December 2024

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