



BANKING ON THE FUTURE

Navigating growth and innovation
in the GCC's banking sector

BY AHMED ABDELAAL, GROUP CEO, MASHREQ

The GCC's banking sector is undergoing steady growth, driven by ongoing infrastructure projects, economic diversification efforts, and a young, affluent population fuelling demand for various banking services. However, the industry also faces several challenges, such as geopolitical tensions and changing regulatory frameworks, which can affect all aspects of banking, from investment to customer confidence.

Technology as a game changer

From the growth of AI to new advancements in fintech, technology plays an important role in shaping the banking industry by helping banks transform customer experiences and enhance operational efficiencies. According to a study conducted by McKinsey, the use of AI is estimated to generate \$1 trillion of additional value annually for the banking sector, while the growing adoption of blockchain is expected to disrupt the industry.

The banking sector in the GCC stands on the brink of a digital revolution, driven by the transformative powers of generative artificial intelligence (GenAI), machine learning, industry convergence, banking-as-a-service, deep data, and digital identity.

On the other hand, rapid technological changes also bring a host of challenges to the banking industry. Data breaches and identity fraud are on the rise, while deep fakes provide cybercriminals with a new set of tools to outsmart existing cyber-defences. Therefore, banks must view proactive cybersecurity as one of their highest priorities, and the regulatory framework must evolve rapidly to respond to these developments.

Safeguarding customers' funds and data through robust and proactive cyber-defences is an absolute must for building trust in the digital banking ecosystem.



↑ AHMED ABDELAAL, GROUP CEO, MASHREQ



↑ **Mashreq** has made a commitment to facilitate over US\$29 billion in sustainable finance by 2030

Strategic imperatives for adaptation and growth

Digital agility is crucial for navigating today's banking landscape and seizing new opportunities. To remain relevant, banks must continuously invest in digital infrastructure and innovation. Digitalisation offers a unique opportunity for banks to extend their reach, understand diverse markets, and cater to them effectively while creating innovative solutions that are efficient, secure, and tailored to customer needs.

AI, one of the greatest game changers of our time, is revolutionising the approach to customer service, with chatbots offering 24/7 assistance,

significantly enhancing customer satisfaction. It is also transforming backend operations, allowing banks to analyse large datasets and translate them into meaningful insights for smarter, faster decision-making.

Meanwhile, advanced blockchain technology implementation can go a long way in enhancing security and efficiency in banking operations. A case in point is Mashreq's blockchain Know Your Customer (KYC) initiative, executed in partnership with Dubai International Financial Centre (DIFC), which has established the bank as a leader in seamless client information processing.

In addition, banking-as-a-service

(BaaS), a type of financial technology that helps software platforms access banking capabilities traditionally only offered by a licensed bank, opens new avenues for collaboration between banks and other ecosystem players. Mashreq marked an entry into this domain with the NEO family of offerings.

To successfully adapt to the latest developments in the industry and beyond, banks must also remain vigilant and work towards building operational resilience to respond to any disruptions that may occur. They need to implement a consistent risk audit, develop effective resilience strategies that enable them to mitigate any potential

financial risks, and prepare crisis management plans to reduce the impact of risks that cannot be mitigated. They must also foster a strong cultural ethos that will allow them to pivot the business as required.

Opportunities for innovation and expansion

Today's evolving landscape provides banks with a wealth of possibilities to innovate and expand while amplifying their positive impact on the communities they serve. Approximately 1.6 billion people worldwide are unbanked, which is an opportunity that banks can tap into by making banking more accessible to underserved segments and emerging markets. By providing affordable and relevant financial products to individuals and businesses, including micro, small and medium-sized enterprises (MSMEs), that lack access to these products, banks can not only unlock growth but also meet a critical societal need.

In mature as well as emerging markets, tailoring banking products and services to diverse customer needs can go a long way in strengthening the bank's reputation. By offering personalised solutions and seamless experiences, banks can not only make their customers' lives easier but also position themselves as their trusted partners who support every aspect of their lives and empower them to succeed.

On the heels of the 28th UN Climate Change Conference (COP28) that took place in Dubai last year, the focus on sustainability in the region has never been higher, and the banking sector is no exception. GCC banks are increasingly adopting sustainable banking practices and environmental, social, and governance (ESG) principles. With the UAE emerging as a regional sustainable finance hub, focusing on sustainable finance presents another promising opportunity. Initiatives such as the



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UAE Banks Federation's pledge to mobilise approximately \$272.29 billion in sustainable finance by 2030 enable banks to play an active role in the shift towards a greener economy. As part of the pledge, Mashreq has committed

to facilitating around \$29.95 billion in sustainable finance by 2030.

Finally, productive partnerships with disruptive fintech companies empower banks to supercharge their innovation efforts to offer new capabilities and craft value-added propositions that truly make a difference in people's lives.

By embracing the right mix of innovation, technology, customer-centricity, and resilience, backed by substantial investment in human capital, GCC banks can differentiate themselves in the region's competitive banking landscape. Only those who can navigate complexities, seize emerging opportunities, and remain agile in a rapidly changing world can build a strong foundation for enduring success. 



\$272bn

The approximate amount that the UAE Banks Federation pledged to mobilise to sustainable finance by 2030