

ARAB1 Banker

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The Global Magazine of the Arab Bankers Association (ABA)

**ARAB BANK EMBRACES
THE DIGITAL FUTURE**

**GULF SOVEREIGNS
RACE TO INVEST IN AI**

**REHABILITATING THE LIBYAN
INVESTMENT AUTHORITY**

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Reasons to be cheerful

My first full year as CEO of the Arab Bankers Association has certainly not been lacking in interest or excitement. We live in times of unprecedented disruption, of political, and military conflict, and the global economic outlook is far from encouraging. Yet despite this, there are still some grounds for optimism.

It is clear that as long as political uncertainty spreads and trade barriers rise, global economic growth will continue to slow. The World Bank predicts a growth rate of 2.3% for this year, lower than its 2024 growth forecast of 2.6%. This would be the slowest rate of global growth since 2008 and one that can be attributed largely to escalating trade barriers, rising geopolitical tensions, and increased incidence of extreme climate events.

Yet precisely because much of the current slowdown is due to political rather than economic factors, there is the

potential for rapid remedy if the major global economies were to demonstrate sufficient political will to reach agreements addressing trade tensions. Even if such progress is limited, the shock of 'liberation day' is now behind us and companies are already developing successful strategies in response. There are further grounds for optimism, in the anticipated interest rate cuts by the Federal Reserve and the Bank of England.

During these times, our sector is more crucial than ever to the creation of regional economic growth. Arab banks play a critical and strategic role in trade finance, cross-border investment and remittance flows – all of which strengthen ties between their region and the rest of the world.

There is further cause for comfort in acknowledging that the sector remains strongly capitalised. Arab banks have developed solid liquidity buffers and robust risk-management strategies that enable them to withstand economic shocks. They have certainly been ahead of the game when it comes to embracing digital transformation.

It is particularly interesting to note that the recipient of this year's Award for Distinguished Service to Arab Banking, Ms Randa Sadik, CEO of Arab Bank Group, has successfully engaged with all of these issues. Today, her bank is an exemplar of best practice in how to deal with them. Arab Bank has long prided itself on the strength of its regional and global networks and its agility in managing trade finance to further regional prosperity. Under Sadik's leadership, it adopted a creative and innovative approach to digitisation, integrating it into the core of the bank's operation, a strategy that has produced remarkable results.

It is no exaggeration to say that Arab Bank holds a unique position in hearts and minds across the Arab world. Through its longstanding funding of the Abdul Hameed Shoman Foundation, the bank has been promoting education, culture, and scientific research in Jordan and Palestine since 1972. Environmental and social responsibility are, as its CEO likes to say, 'written into the bank's DNA'. I am delighted therefore that the ABA will be able to recognise Arab Bank's standing as a national and regional institution at our gala dinner in November.

While the gala dinner remains the high point of our calendar, we are also working on developing a varied and compelling programme of events for the next twelve months on topics ranging from financial crime and cybersecurity, diplomatic immunity and non-doms, to capital markets. Meanwhile our membership continues to expand and we have gained many new corporate and individual members over the past year.

We have been fortunate to be able to elect three outstanding bankers to the ABA board this year. Sophoklis Argyrou, CEO of Bank of Beirut UK Ltd; Bassem Boustany, Managing Director of National Bank of Kuwait International in London, and Paul McDonagh, General Manager and CEO of Qatar National Bank, all bring with them a wealth of experience. Meanwhile, longstanding board member and Managing Director of Arab National Bank London Branch, Yasser Ibrahim, has taken on the challenge of chairing our organisation. He will be supported in his endeavours by Haytham Kamhiyah, CEO of Europe Arab Bank and a board member since 2020. I have no doubt that their combined wisdom and expertise will ensure that the organisation is in strong and capable hands.

Gaby Fadel
Chief Executive Officer



Energy and resourcefulness overcome challenges

I'm proud to present the latest edition of *Arab Banker* magazine, which boasts contributions from some truly outstanding writers and analysts.

The range of subjects covered in this issue reflects the diversity of the challenges that banks and those in the financial sector are facing, but also the energy and resourcefulness with which those challenges are being met.

To describe the immense obstacles that have faced the Libyan Investment Authority (LIA) in recent years as 'challenges' seems something of an understatement. In an exclusive interview, Dr Ali Mahmoud, CEO of the LIA, discusses the implications of the recent ruling by the United Nations Libya Sanctions Committee, which granted the authority the ability to manage and reinvest its matured overseas assets. He discusses the many years of work that have gone on behind the scenes to rehabilitate the organisation and the opportunities that now lie ahead.

Elsewhere in the region, Dubai-based technology correspondent, Carla Sertin, examines the race for AI supremacy currently playing out between the UAE and Saudi Arabia. Sertin explores the role of sovereign wealth funds in the establishment of data storage and energy infrastructure, and how they are paving the way for private investment to follow.

The energy requirements of generative AI are vast, with some experts predicting that in as little as five years time, AI applications will consume up to 3%–4% of the entire planet's current electricity production. It is particularly ironic then, that as seasoned energy journalist Jamie Ingram explains, we are currently witnessing a slowdown in the global transition to renewables. He unpicks the reasons why oil and gas are likely to remain the mainstay of the global energy mix for years to come and outlines what this will mean for the MENA region.

One of the privileges of being a journalist is the opportunity it brings to speak to interesting and exceptional people. It was a particular pleasure to interview Randa Sadik, CEO of Arab Bank Group, about her role as custodian of a revered national institution and to learn about her bank's innovative approach to implementing digital transformation. The complexities involved in rolling out comprehensive programmes of digitalisation, programmes that will be relevant and flexible for years to come, is, quite rightly, a key concern for banks of all sizes – and organisations like Arab Bank have been reaping the returns of early integration.

But digitalisation also creates a whole new set of vulnerabilities within the sector, opening up new arenas for the expansion of proliferation finance and generating opportunities for bad actors to disguise illicit financial transactions. We explore new trends in counter proliferation finance in a revealing account jointly written by Dr Noémi També of the defence and security think tank, The Royal United Services Institute, and Abu Dhabi-based compliance



specialist, Christos Christou, both of whom are working at the front end of the fight against financial crime.

Former *Arab Banker* editor, Andrew Cunningham, provides his regular, exclusive survey of the top 50 GCC banks, along with his digest of Middle East sovereign ratings. During his time as editor of *Arab Banker*, Andrew worked hard to establish – and maintain – high journalistic standards, a tradition I hope to build on.

Particular thanks should go to both Andrew and to Melissa Hancock, my immediate predecessor as editor, for their generous support and guidance. Designer, Antony Gray has continued to deliver a high-quality product and to be flexible in accommodating last minute changes. Other essential members of the *Arab Banker* team are: Heidi Marttinen, who provided attentive and painstaking proofreading and Jason Smith of JPS Print Consultants who printed the magazine and managed its distribution. I must also mention Hanan Al Masood, who has an encyclopaedic knowledge of the ABA membership and who worked meticulously with Gabriella Sidoli in managing the distribution lists. Finally, thanks to the winning partnership of Gaby Fadel and George Kanaan, whose commitment to the ABA and enthusiasm for the magazine have supported me in its production. I hope you enjoy reading it!

Tabitha Morgan-Butt
Editor, *Arab Banker*

More Central Bank changes in Lebanon



The appointment of Karim Souaid as Governor of the Central Bank of Lebanon earlier this year has proved controversial. Critics say he is unlikely either to implement desperately needed reforms or to hold the powerful banking lobby to account.

Lebanon has been engulfed by a succession of economic crises since 2019, which have locked it out of international financial markets, imposed stringent limits on the amount of money bank depositors can withdraw and led – amongst other things – to the erosion of public services, including essential energy infrastructure. Dramatic stories of depositors holding bank staff to ransom in desperate efforts to access their own savings to pay for medical treatment have done little to win public support for the country's powerful banking sector.

According to the World Bank, an estimated \$11 bn is now needed for the country's reconstruction. Confidence in the new governor's readiness to implement IMF reform proposals will be crucial to unlocking disbursements from the fund.

Souaid's appointment has reinforced current political divisions within Lebanon's shifting political landscape. President Joseph Aoun and the Lebanese Armed Forces lined up alongside traditional ideological adversaries, the powerful Shia militant group Hezbollah, in support of the new central bank governor. Their opponents include reformist politicians, such as Prime Minister Nawaf Salam and some NGO's representing the bank depositors. Souaid's appointment prompted the prime minister to deliver a speech

underlining the need for the new governor to 'abide by the financial policy of our reformist government as expressed by the ministerial statement ... devising a complete plan ... to preserve depositors' rights.'

Both camps have been deadlocked for six years over who should be accountable for the 2019 economic collapse. The banking lobby places responsibility at the government's door, blaming it for defaulting on eurobonds, and on the deposits placed with Banque du Liban by private banks. The government, it says, must now pick up the tab by selling off state assets to recover depositor's money. This position was underlined in a 2023 paper produced by Souaid's own investment firm which advocated the imposition of a 90% haircut – a burden that would be carried by bank depositors.

Critics argue this would bankrupt the state, penalise the innocent, and enable the financial sector to evade any responsibility for the debacle. It is the banks themselves, they argue, who should cover the losses. If implemented such measures would inevitably lead to extensive restructuring of the sector with mergers and closures.

Banking secrecy legislation, which had for decades facilitated tax evasion, financial crime, and the bankrolling of political parties, was effectively brought to an end earlier this year. After three attempts, the Lebanese Parliament finally passed a law enabling regulatory authorities to properly scrutinise banking records, ending a legacy dating back to 1956. The measure is part of a series of financial reforms Lebanon is undertaking in coordination with the IMF.

New Central Bank Governor in Oman

Former CEO of Oman's Sohar International Bank, Ahmed Al Musalmi, has been made governor of the country's central bank, in an appointment confirmed by a royal decree issued by Sultan Haitham bin Tariq al Said. Al Musalmi is a graduate of Harvard Business School and was previously the head of National Bank of Oman.

His appointment comes as the sultanate seeks to diversify, and is coming under pressure from the IMF to reduce its dependence on hydrocarbons and realise its ambitions to become a world leader in the hydrogen sector. Oman introduced a minimum top-up tax of 15% on multinationals in January of this year and was due to become the first in the GCC bloc to introduce income tax in 2026, a plan which has now been put on hold by the country's state council.



Ahmed Al Musalmi

New appointments in the UAE

Loic Voide, formerly CEO of Deutsche Bank (Switzerland) has been appointed DBS's Head of Private Banking for Middle East and Africa, he will be based at the bank's Dubai branch. He will be responsible for driving growth and performance across the region, with a focus on ultra-high-net-worth clients and their families.

Also in Dubai, Deutsche Bank has appointed Majed Julfar as Head of Corporate Coverage for the Middle East and Africa and Chief Country Officer for the United Arab Emirates.

He will lead the bank's regional client coverage strategy and act as its most senior representative in the UAE.

New trade finance post at ANB



Rim Faker

In May, Arab National Bank's London branch appointed Rim Faker to the newly created post of Head of Trade Finance and Financial Institutions. The appointment reflects the bank's strategic ambitions to develop its London branch as a hub for international trade. Faker previously spent six years at National Bank of Egypt, UK, as Business Development Manager for Trade Finance and Financial Institutions. Prior to that she worked at Bank ABC as a senior relationship manager within global transaction banking. She brings a wealth of experience to the role and has particular strengths in the origination of business from financial institutions and commodity traders.

Departure from BACB

Louise Fitzgerald, former Chief Financial Officer at British Arab Commercial Bank, has been appointed CFO at Nest Corporation after filling the role on an interim basis since March of this year. Fitzgerald, who had also been a trustee of BACB's DB pension scheme, has over 25 years experience in financial services. She has worked on finance and treasury functions for investment and commercial banks and dealt in fixed income, equities, M&A, real estate, debt capital markets, trade finance and treasury products and services.

European appointments

Al Khaliji France (part of the Al Rayan Bank Group) has appointed Fadi Halout as CEO and General Manager, with effect from July of this year. Al Khaliji France is headquartered in Paris, with branches in Dubai and Abu Dhabi. Halout has held a number of executive roles in corporate, commercial, and private banking fields across Europe. He was previously the CEO of Banque des Monts Blancs in Geneva after heading the private banking division of Europe Arab Bank. He is Honorary President and Board Member of the foreign banks' association in France.



Fadi Halout

Ghassan Nicolas Cortas was appointed Chief Executive Officer of Fransabank France S.A. in April. Cortas has over two decades of experience in corporate banking, trade finance, credit risk, and cross-border financial services and leads the institution's strategic growth, regulatory alignment, and commercial development initiatives across European and MENA markets. Before taking up his current post Ghassan held executive and senior leadership roles at Byblos Bank Europe SA, including Chief Commercial Officer and Executive Director.

Ghassan
Nicolas Cortas

Dr Abdulkader Husrieh leading Syrian reconstruction efforts

In March of this year, economist Abdulkader Husrieh was appointed Governor of the Central Bank of Syria. Dr Husrieh has a background in financial consulting, monetary policy and economic reform, and was previously a partner with international accountants EY in Syria.

After 14 years of civil war, formidable challenges lie ahead as the process of reconstruction, establishing monetary stability and attracting foreign investment begins. One of Dr Husrieh's key priorities will be securing the bank's independence after decades of corrupt state control when monetary policy was effectively

steered by the Assad regime, either for direct financial self-interest or for short-term political gain. It is to Dr Husrieh's advantage that under Syrian law, the business of policy-making which is determined by the Monetary and Credit Council (MCC) is clearly separated from its execution which is conducted by the country's Central Bank. But the MCC is not entirely immune to political pressure and will require further safeguards to be put in place to guarantee its independence. Syria carried out its first SWIFT international payment in June – a significant step on the road towards reintegration into the global financial system.

Legal appointments



Vivien Davies



Alex Ruffel

Former ABA board member and valued friend of the association, Vivien Davies, has been appointed senior partner at global law firm Fieldfisher. In her new role, Davies will lead the firm's supervisory board, representing the interests of its partners. She is expected to support the strengthening

of Fieldfisher's client relationships, industry sector programme and growing European platform, which has expanded into Austria and Italy in recent years.

Davies took up her new post in April 2025, having previously headed up the company's MENA desk. She is also part of the leadership team of the firm's global dispute resolution group in London. Her commercial disputes practice includes shareholder actions, banking and financial disputes, partnership disputes and professional negligence, and she has played a key role in building Fieldfisher's top-tier sanctions practice. Davies joined the company in 2015, having previously been a partner at commercial firm Edwin Coe.

Independent London law firm Farrer & Co appointed cross-border tax and succession planning specialist, Alex Ruffel as a partner in its private client team in April. Ruffel is a specialist in complex cross-border tax, structuring and succession planning, with extensive experience of acting for clients with links to the Middle East and the Asia Pacific region. She has particular expertise in advising multinational families, trustees and family offices on complex tax issues and the transfer of wealth, including establishing and running trusts and other structures.

New senior staff at Al Masraf

In February, Al Masraf (The Arab Bank for Investment and Foreign Trade) announced the appointment of Fuad Mohamed as its new CEO. Prior to joining Al Masraf, Mohamed served as Chief Operating Officer at Emirates Islamic Bank. He has also held key leadership roles at Emirates NBD Egypt, as well as being Head of IT Application at Emirates NBD.

He has over 25 years in the banking and financial sector and has successfully steered digital transformation initiatives at local and regional level.

The appointment was followed three months later, by the arrival of a new Chief Financial Officer at Al Masraf. Hitesh Thakkar will be responsible for financial planning, performance management and capital efficiency initiatives and will build the bank's transition to a more agile, digitally enabled model. Thakkar previously served as Group Head of Finance for the retail banking and wealth management division at Emirates NBD.

Washington Supreme Court refuses to reopen case against Blom Bank



In what is exceptionally good news for Blom Bank, the Supreme Court in Washington has declined to reopen a lawsuit against it which had been filed by relatives of Israeli victims of Hamas attacks that took place in the early 2000s.

The relatives had hoped to renew charges against the bank under the Justice Against Sponsors of Terrorism Act, claiming that Blom had aided and abetted Hamas by providing it with

financial assistance. However, in a nearly unanimous ruling, the justices, led by Justice Clarence Thomas, concluded that the threshold of 'extraordinary circumstances' which needed to be met in order to open a review of the final judgement had not been reached and the case would therefore not be revisited.

The relatives' case alleged that Blom had maintained accounts and facilitated payments for two prominent Hamas organisations: The Union of Good

and The Sanabil Association for Relief and Development. The latter, based in Sidon, had received large quantities of charitable donations from Europe and the Middle East. Blom, they argued, had 'understood the value and importance to Hamas of its own role in facilitating large transfers of funds, including the cross-border transfer of US dollars, from donors and co-conspirators around the world to Lebanon and making those funds easily available to Hamas.'

For its part, the bank, one of the oldest in Lebanon, maintained that the families were unlawfully pursuing a never-ending lawsuit that a lower court had already decisively concluded. The original case, filed in 2019, was dismissed in 2021, and yet, according to Matthew McGill, Blom Banks' legal representative, 'somehow we're here three years later talking about a zombie case that should have been over years ago.' Blom has consistently expressed its abhorrence of terrorism and has itself been the victim of terror attacks in the past.



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Arab Bank: rooted in tradition, embracing change

Arab Bank is surely one of the most iconic financial institutions in the Middle East. It's historic role in the development of the region earned it a unique reputation for integrity and financial probity and today, it holds a special place in the hearts and minds of many of its customers, enjoying a brand profile that many of its competitors could only dream of. But this is certainly not an organisation that has been resting on its laurels. Tabitha Morgan-Butt has been finding out how successfully this revered institution has been adapting to the demands of the digital age.

Arab Bank's key financial indicators are looking good. Last year its net income increased by an impressive 21% from \$829.6 mn in 2023, to \$1,007.1 mn. Its shareholders' equity reached \$12.1 bn and its operating profits grew by 8%. Loans and deposits increased by 6% and 5% respectively, at constant currency percentage, while its liquidity levels remained healthy with a loan-to-deposit ratio of 73%.

Behind these figures lies an ongoing commitment to the provision of financial services for the MENA region's ambitious development programmes. The bank has one of the largest global Arab banking networks, one that it leverages to maintain a competitive edge in areas of trade and contractor finance, consumer banking, wealth management and cross-border lending. Its prudent lending policies meanwhile, have strengthened its credit portfolio, minimised risk exposure, and enhanced asset quality, enabling it to navigate regional challenges and sustain long-term growth across the Middle East and North Africa.

Over the last 18 months, the bank has successfully built on these commercial advantages, expanding its operations geographically with the re-establishment of banking operations in Iraq and the enlargement of its wealth management sector via a series of acquisitions in Switzerland. All this, while simultaneously evolving its customer-facing digital offering, and gradually integrating AI into its operational and strategic plans. It's an impressive list of achievements. This is an organisation in a hurry to get things done.

CEO Randa Sadik is in no doubt that what underpins her bank's achievements is an insistent focus on putting people – both staff and customers – at the centre of its strategy.

Arab Bank's emphasis on people, she tells me, is 'deeply embedded in our DNA,' reflecting values that have defined the organisation's growth and evolution.

Today, these values are best illustrated by the bank's ongoing support for regional initiatives which shape the lives of thousands of people within the Arab world, building local capacity and serving community needs. These range from the long-established Abdul Hameed Shoman Foundation, to initiatives to promote financial literacy amongst the young and to raise financial awareness amongst women in targeted parts of Jordan.

Arab Bank recently launched a comprehensive ESG strategy, outlining initiatives for reducing its carbon footprint, investing in sustainable technologies and promoting green financing. In keeping with international best practice, the bank has aligned itself with the standards of the Global Reporting Initiative (GRI) and is committed to issuing a GRI-based ESG report annually. Three years ago, it also launched its inaugural Sustainable Finance Framework, to facilitate the issue of sustainable-debt-instruments to projects that will contribute to climate action, employment

generation and the support of the United Nations' Sustainable Development Goals.

From a management perspective, this people-focused approach is demonstrated through the range of staff training opportunities that Arab Bank offers, all designed to maintain what Sadik calls the 'talent pipeline'. She is particularly proud of the bank's recently launched Core Skills Development Programme, which covers communication, team work, customer centricity, digital fluency, critical thinking, growth mindset and leadership. It complements its existing 'Academy' initiative, a three-year fast-track programme targeting high-potential candidates with less than a year of experience in the workplace.

For Sadik, the bank's capacity to remain relevant to its customers will determine its future success. Its ability to respond to customer demand and seize new and emerging opportunities for strategic growth has already led to the expansion of its Islamic banking business. This offering includes a full range of shariah-compliant products and services for retail, business and SME clients as well as treasury and investment services, all of which are supervised by an independent shariah board. It currently has three fully Islamic subsidiaries: IIAB in Jordan, Alizz Islamic Bank in Oman and Arab Sudanese Bank. The group regularly reviews growth opportunities in the Islamic banking sector across its network to identify potential openings in other markets, either offshore or through Islamic windows.

Arab Bank may be justifiably proud that it has always placed its customers at the forefront, but digitisation has irrevocably changed the bank customer relationship across the piece, forcing banks to focus not just on the customer's journey, but also on their own visibility at different stages of that journey. Today, says Sadik, 'banks have to go where the customers are. Everyone now has access to everything on their phones, a customer could just as easily open a wallet with a telecom as with their bank. You have to go where they are, so at least they can see you, whether it's a payment gateway or something else.'

With these precepts in mind, the bank recently introduced its digital mobile app 'Reflect', a modern digital banking experience that streamlines its day-to-day banking interactions with customers. In the same spirit, the group also launched its pioneering 'Omnify' platform, delivering digital banking services to non-financial companies, enabling them to provide a secure financial services gateway for their clients, and thereby expand their business reach.

Meeting the challenges of AI

As an early adopter of AI, Arab Bank is well positioned to leverage its potential gains. In 2019, in a bold and farsighted move, Randa Sadik, then deputy CEO, oversaw the establishment of the bank's Data Science Academy, along with its own dedicated data-engineering function.

Both initiatives were deployed to analyse patterns at business segment, channel and product levels, and to develop Arab Bank's proprietary predictive models. By 2021, when two data and AI cohorts had gone through the academy, the bank established Acabes, the group's dedicated technological arm. Today Acabes comprises over 700 specialists and operates in Jordan, India, KSA, the UAE, Tunisia and Egypt. It is responsible, along with Arab Bank's internal AI practice, for scaling up the group's AI transformation and delivering digital solutions to its different business segments.

Table 1: Key financial figures for Arab Bank Group

	End-2024	End-2023	End-2022	End-2021
Total Assets	\$71.2 bn	\$68.3 bn	\$64.5 bn	\$63.8 bn
Loans	\$38.3 bn	\$37.1 bn	\$35.4 bn	\$34.6 bn
Customer's Deposits	\$52.2 bn	\$50.6 bn	\$47.7 bn	\$47.1 bn
Shareholders Equity	\$12.1 bn	\$11.4 bn	\$10.4 bn	\$10.3 bn
Net Profit after tax	\$1,007.1 mn	\$829.6 mn	\$544.3 mn	\$314.5 mn

Table 2: Key performance ratios related to Arab Bank Group

	2024	2023	2022	2021
Shareholders' equity / total assets	17.0%	16.6%	16.1%	16.2%
Cost / income (excluding provisions for impairment)	43.0%	42.6%	46.6%	49.4%
Loans / deposits (NET)	65.9%	65.5%	66.4%	66.2%
Return on assets	1.4%	1.2%	0.8%	0.5%
Return on equity	8.8%	7.8%	5.2%	3.0%
Liquidity ratio (cash and quasi cash)	42.7%	42.7%	42.4%	43.0%

By having its own dedicated technology arm, Arab Bank has been able to adapt its digital offering to incorporate the latest in emerging technology, while also retaining overall project control, emphasising resilience, security and customer-centric design.

One example of this approach in action can be seen in the work of the credit department, where AI-powered models are being employed to identify creditworthy customers during credit-behaviour assessments. Their use has boosted approval rates for both individuals and corporate clients, promoting financial inclusion without compromising risk.

Arab Bank is also implementing agentic AI to integrate voice commands (and associated verbal responses) in Levantine Arabic within its mobile apps. Employees have been supported in improved decision-making and advanced problem solving, through the automation of in-depth research tasks requiring complex chains of reasoning.

Critically, the bank ensures that every AI initiative undergoes a comprehensive review by its AI Governance Committee before advancing to the proof-of-concept stage. Following that, the initiative is reviewed by its cloud committee before moving to production. This evaluation process ensures that its AI applications not only bring measurable benefits, but also align with the bank's strategic goals.

Expanding into Iraq

The bank's expansion programme has not been exclusively digital. There have been ambitious geographical advances as well, most notably in terms of obtaining a banking licence to operate in Iraq, through its subsidiary, Arab Bank Iraq.

Historically, Arab Bank's presence in Iraq dates back to the 1940s, and continued until 1964, when its branches there were nationalised. Today the Iraqi lending market has considerable potential for growth, with less than 30% of money supply held by banks, and the rest in the hands of companies and individuals. The bank's return reflects its growing confidence in the opportunities of the Iraqi market. According to Sadik, 'Iraq is a growth market, so it's a regional expansion that is important'. The bank hopes that its existing relationships with regional and international contractors and multilaterals will ensure that it will be well placed to capture a portion of the bonding business as well as potential project and trade financing and that the Iraq subsidiary will 'add to the profitability and the geographic expansion that we're looking for.'

Growth of wealth management

Over recent years, Arab Bank has continued to bolster its private banking and wealth management proposition,

leveraging its extensive regional presence, as well as its European coverage via Europe Arab Bank and Arab Bank Switzerland.

Its Swiss profile dates back to the 1960's, when it became one of the first banks from the MENA region to establish a presence there with the opening of Arab Bank Switzerland. It developed into a leading mid-sized private bank with over \$14 bn in assets under management. In 2023, Arab Bank Switzerland acquired Gonet & CIE, a Swiss bank established in 1845, which offers wealth management services to private clients and independent wealth managers both in Switzerland and internationally. This acquisition paved the way for a merger with another player in the market, ONE Swiss bank, in January of this year.

The merger, which brings Arab Bank Switzerland Group's assets under management to approximately \$22.6 bn, has created a leading new player in the Swiss wealth and asset management market and reflects the bank's commitment to scaling up its wealth management segment.

Facing the future

It's been a busy year for Arab Bank, but arguably one of its most challenging achievements has been the successful management of its recent rebrand. By any standard a delicate operation after 95 years in the business and an iconic reputation which links it, in the minds of many customers, to nothing less than the emergence of Arab national identity. Sadik is adamant that while the bank's branding facelift is designed to reflect the demands of a new tech-savvy generation of corporates and individuals, its core Arab identity, rooted in trust, resilience and regional leadership remains unchanged. The bank's new logo, essentially a simplified, more stylised and dynamic iteration of the old one, appears to reflect this continuity.

The branding exercise she believes, should be viewed as a bridge, consolidating the bank's established position as a trusted partner, while also reflecting its forward-looking growth strategy. Maintaining this balance successfully is not a task that Randa Sadik takes lightly.

'Our bank has a special legacy,' she explained, 'when you have a history of 95 years, and people know you have been beside them during very difficult times, then as CEO you're a custodian of that legacy. You're responsible for putting the bank on a path that will be sustainable for another 100 years. Arab Bank has a very special place in the local and regional fabric, which makes it all the more important that whatever we do, we do it well.' ■

Table 3: Regional market share shown in percentages

Country	Total Assets	Deposits	Direct Credit Facilities
Jordan	24.7%	25.7%	21%
Palestine	22%	23.3%	18.3%
Sultanate of Oman	9.6%	11.2%	11.6%
Republic of Tunisia	6%	6.7%	6.5%
Bahrain	3.7%	2.8%	3%
Egypt	0.67%	0.80%	0.64%
Qatar	0.4%	0.5%	0.4%
UAE	0.5%	0.7%	0.7%

Arab Bank Group operates in the Kingdom of Saudi Arabia through Arab National Bank, which holds a market share of 6% for both assets, and credit facilities, and 7% for deposits.

A portrait of Randa Sadik, a woman with dark, wavy hair, wearing a dark blazer over a light-colored button-down shirt. She is smiling slightly and looking towards the camera. The background is a blurred abstract painting with warm tones.

A passion for banking

Randa Sadik was appointed CEO of Arab Bank in 2022, having previously served as deputy CEO since 2010. Earlier this year she was listed sixth in Forbes Magazine's list of the 100 most powerful women in the Middle East. During her time at Arab Bank she embedded digital innovation at the heart of the organisation's strategy and introduced a level playing field for female employees.

Arab Banker caught up with Randa Sadik to find out what keeps driving her forward and about her continuing passion for banking.

ARAB BANKER: What first attracted you to a career in banking?

RANDA SADIK: The same thing that attracted me to study finance at university – it's dynamic! At that time, in the Gulf region where my parents were living, banking and investment were expanding fields. During career days in college, the bankers would come in and you could see that they had a finger on the pulse of the economy and what was happening.

What were the key influences on your career?

Well of course I've been fortunate in working with some seasoned bankers. But ultimately, you really learn from everybody that you meet: your peers, your bosses, your teams and also your customers. I always enjoy listening to customers, to corporates or to individuals, telling their story about the way they have either scaled up, or maybe dealt with challenges, overcome obstacles. It's always good to have stories that synthesise perspective for you and complement data. It can really inform you – make you a better banker. With my teams, I always say, 'tell me the story, from the top to the bottom, how is it all linking together?' I mean, this also focuses their minds, but my team will always tell you, 'Randa keeps talking about connecting the dots'. To me, that is so important.

There have been monumental changes in the sector over the last 20 years. What are the most significant ones, as far as you're concerned?

The shift since I started in banking has been nothing short of transformational. What stands out most is the speed of change – and how essential it has become to stay constantly connected and agile. Digital transformation isn't just about automation or digitalisation; it's about delivering seamless, personalised experiences and solving customer needs in

real time. It's about truly understanding our customers – because today, they have more choice, and they expect immediacy. Digital transformation is about so much more than technology.

AI and data, well that's another frontier. We're still at the beginning of this journey, but we're moving with clear intent – we're experimenting, we're learning, and we're working to scale AI thoughtfully across our operations.

But at the heart of everything is the customer. Their behaviours, their expectations, their preferences, these have all evolved dramatically. So consequently, we have to focus on embedding their needs into every product and experience we design – we have to make their banking experience relevant and intuitive.

I firmly believe that none of this is possible without talent. Building future-ready teams is really important. Arab Bank has a reputation as a training ground for regional banking talent, and we're proud of that legacy. We're investing in upskilling, especially in areas like AI and digital innovation. In Jordan, we're actively partnering with universities – helping shape curricula, supporting innovation labs, and ensuring graduates are industry ready from day one. It's all about bridging the gap between education and the fast-evolving demands of our sector.

What are you most proud of having achieved at Arab Bank?

Well, I'd say that it's a combination of things really. But most important is the momentum we've created – both in terms of sustainable growth and strategic direction.

We continue to focus on shifting the trajectory of the bank by enhancing its relevance in an increasingly digital and competitive environment, while staying firmly rooted in our core values. Future-proofing the institution has been a central priority – investing in innovation, talent, and capabilities that allow us to evolve the organisation and





align it with the latest developments. At the same time, we continue to reinforce our cross-border value proposition by leveraging our unique regional footprint and international presence to deliver seamless, customer-centric solutions across markets. This has not only deepened our role in key geographies, but positioned us as a truly connected and agile banking partner across borders.

Then there's the whole digital transformation process, which we started in 2018. It was a three-pronged approach: there was the hub, the accelerator, and then a corporate venture capital arm that was investing directly in the next wave of financial technology, and integrating it, where relevant, into the value chain across multiple markets. We didn't know whether we were going to partner or not partner at that point, but we started investing to see what the trajectory was. I remember visiting various international locations to see where they put the hubs for their accelerators. And a lot of them would say, 'Oh, we put them outside the main bank, because it's a different culture, it is more innovative.' And I did the reverse, and I said, 'no, we're going to have it in the heart.' So, we had the accelerator and the hub on my floor, and we'd congregate there. It was a co-working, co-creating place. And very soon it became more innovative, and we'd have things like hackathons and other events. I'm very proud of starting on that journey, because now, with AI, it's made it easier.

Do you feel your career would have been different if you'd been a man?

Would it have been different? I'm not sure. I believe that career paths are not impacted only by gender, but also by many other factors. That's why I tend to focus more on the other factors that I can control. For example, I try to make sure, for younger generations and for the institution that I'm responsible to lead, that I'm fostering a level playing field, where it's equitable for talent to thrive.

In 2022, we established the bank's Women's Empowerment Strategic Framework, designed to promote gender equality and foster the inclusion of women across various domains, including the workplace, marketplace, supply chain, and the community. This visionary framework aims to create a more equitable environment by implementing a set of targeted policies and strategies that address the challenges faced by women.

In the workplace, the framework emphasises the importance of equal opportunities, offering training and development programmes to help women excel in their careers, and implementing policies that promote work-life balance, such as flexible working arrangements and parental leave provisions. The bank is committed to achieving gender equality in leadership roles, ensuring women's voices are equally represented in decision-making processes.

You spent many years at National Bank of Kuwait. What did you learn there?

NBK was my first professional home and I had the privilege of working alongside a group of seasoned bankers there. As a regional player with a diverse and dynamic workforce, the bank embarked on a major expansion during my tenure, entering key markets such as KSA, Egypt, Iraq, and Jordan. Contributing to this milestone was both a defining chapter in the bank's growth and a pivotal stage in my career.

Was the move to Arab Bank a big culture shift?

Arab Bank is unique. It is truly a regional powerhouse with over nine decades of deeply rooted heritage and history across the MENA region. It has one of the largest global Arab banking networks. While there are always commonalities across financial institutions, yet each has its main characteristics and key differentiators.

For me, there was a lot of potential for Arab Bank that I was very excited about. How do we grow it further and future-proof it, how do we take it to the next level, how do we harness its network, and do more with it? In hindsight, it was a fantastic move.

What, have you found most challenging during your time at the bank?

We operate in an area that has its own challenges, whether they are global or regional. However, I have to say that Arab Bank specifically, given its 95-year history, has successfully dealt with various challenges. And because we have prudent risk-management frameworks and staff who know how to deal with difficult conditions that come up, the bank has developed the needed resilience to navigate through headwinds and seize opportunities.

One of the key challenges that I find myself focusing on a lot is how to future-proof the bank and keep it relevant in such a rapidly evolving landscape, one that's shaped by digitalisation, by emerging technologies, by new disruptors. We are living in a world where customers have multiple banking relationships now – including with fintechs and digital wallets – so we have to compete for relevance and primacy. We need to ensure that every interaction with our customers is seamless and value driven, but also that we can be ready to support with timely and trusted advice if needed.

What do you like to do when you are not at work?

I have to admit that I'm never really not at work, because nowadays we're always connected. But when I'm not physically at work, I play tennis. I also like visiting art galleries. It makes you really appreciate the different perspectives. I usually go with my sisters who understand art much better.

If you had not gone into banking, what else would you have done?

I would have found my way back to banking! I don't know what to tell you, because I can't imagine myself not being in this sphere! Of course I'm aware of the challenges that we bankers face, but I really enjoy the whole thing. And I think there's a very important role being played by banks, that I feel strongly about. ■

Randa Sadik was a member of the ABA's board of directors from 2003–2007.



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Banking on stability, a time to branch out: what's next for Kuwait?

The Kuwaiti banking system has been one of the most stable and unchanging in the GCC in recent years, but there are now signs of change not only in the banking system but also in the wider policy environment. *Arab Banker's* former editor, Andrew Cunningham, wonders whether the Kuwaiti financial system is going to emerge from the shadows and take a more prominent role in GCC finance.

The expected take-over of Kuwait's Gulf Bank by local rival Warba Bank is the first merger between two local Kuwaiti banks in modern history. True, Kuwait Finance House (KFH) folded Ahli United Bank of Kuwait into its own operations, but that transaction arose from KFH's acquisition of Bahrain-based Ahli United Bank in 2022 and the subsidiary in Kuwait was actually owned by the parent bank in Bahrain.

The Warba-Gulf transaction is bold. Warba is the youngest and smallest of Kuwait's nine locally incorporated commercial banks. It was founded in 2010 and had equity at the end of 2024 of KD412 mn (\$1,328 mn). Gulf is one of the oldest Kuwaiti banks, founded in 1960, and has equity

of KD834 mn. Historically, one of Kuwait's most venerable trading families had held a commanding stake in Gulf Bank.

Warba is an Islamic bank, so the merger will entail making all of Gulf's operations shariah-compliant, but there are precedents for that, not least from KFH which has converted Ahli United Bank into a wholly shariah-compliant institution.

Historically – and to a large extent still today – Kuwaiti banks have been controlled by local trading families who have been reluctant to dilute control of 'their' bank by merging with another. In Saudi Arabia and the UAE by contrast, government agencies hold significant stakes in local commercial banks, and that has facilitated the process of tidying up and reducing the number of banks in those countries and, in doing so, enabling national champions such as Saudi National Bank and First Abu Dhabi Bank to emerge.

National Bank of Kuwait (NBK) has historically played the role of Kuwait's national banking champion. It was the biggest, the only one with significant overseas operations, and, for much of the past 50 years, by far the strongest, having emerged relatively unscathed from a disastrous stock market crash in 1982 that blighted Kuwaiti finance into the mid-1990s.

KFH is now the biggest bank when ranked by equity (see Table 1), but NBK has more deposits and a larger loan portfolio. KFH has significant operations in Turkey, and now

has a subsidiary in London, as a result of the Ahli United Bank acquisition. NBK has owned a large subsidiary in London for decades, and also has a base in Paris.

These two banks account for two thirds of banking assets and liabilities in Kuwait, one of the highest rates of concentration in the GCC. If other banks are to build the economies of scale to rival them, mergers and acquisitions will be needed.

Kuwaiti banks are strong

The IMF's most recent Article IV report on Kuwait, published in December 2024, noted that Kuwaiti banks were well capitalised and held healthy levels of liquidity, both in relation to international norms, and in relation to their peers in Saudi Arabia and the UAE. The fund also noted that Kuwaiti banks do not suffer from large amounts of non-performing loans, and that those they have are well provisioned.

But when one turns to the Kuwaiti banks' income statements, the picture is less rosy. The fund comments that profitability has 'rebounded' from the lows seen during the Covid-19 pandemic. Profitability has certainly improved, although 'rebounded' may be overstating it a little. The average return on average assets of the nine commercial banks stood at 1.21% in 2024, compared to 1.10% in 2023, 0.93% at the end of 2022, and 0.86% at the end of 2021. Equivalent figures for return on average equity were 9.10%, 8.47%, 7.31% and 7.21%.

But that improvement still leaves Kuwaiti banks with weaker profitability (on the basis of those two ratios) than Qatari and Saudi banks. Comparison with Emirati banks is difficult since some of them have been declaring losses in recent years. However if one considers only those UAE banks that have declared profits, average ratios for asset returns and equity for these banks are much higher than those of either Kuwaiti, Qatari, or Saudi banks.

Kuwaiti banks also show higher operating costs, as measured by their cost-to-income ratios, than Qatari and Saudi banks.

Andrew Cunningham

Andrew Cunningham has spent nearly 40 years analysing Middle Eastern banks as a journalist, rating agency analyst, and consultant. From 2013 until 2024 he was Editor-in-Chief of the Arab Bankers Association. He is currently non-executive Chairman of ARC Ratings Ltd and ARC Ratings SA.



Better prospects for growth

But there is no denying that the prospects for Kuwaiti banks are better now than they have been for many years. Since suspending the National Assembly in May 2024, the Kuwaiti government has taken a number of policy initiatives aimed at strengthening the national budget, improving the efficiency of government services, and diversifying local financial markets.

The passing of the debt law in March, enables the government to borrow significant sums to cover budget shortfalls, and so maintain liquidity in the local market. Government departments have been told to accelerate the implementation of local projects, avoiding the interminable delays that have characterised many government initiatives in recent years.

Meanwhile, the residential mortgage market is being opened up to local commercial banks, ending the monopoly that has been enjoyed by the state-owned Kuwait Credit Bank.

Table 1: Kuwaiti banks – selected figures, end 2024

	KD mn, end 2024					Ratios (%), end 2024				
	Equity	Assets	Net Loans	Customers' Deposits	Net Profit	Equity/ Assets (risk weighted)	Net profit/ avg. assets	Net Profit/ avg. equity	Operating expenses/ operating income	Loans/ deposits
Kuwait Finance House	6,417.9	36,703.4	19,069.7	19,219.9	641.9	19.9	1.7	10.2	36.8	99.2
National Bank of Kuwait	5,156.7	40,338.2	23,707.6	22,866.2	638.6	17.3	1.6	12.7	37.4	103.7
Boubyan Bank	1,086.1	9,376.6	6,923.9	7,424.2	96.8	17.9	1.1	9.2	51.2	93.3
Burgan Bank	1,019.9	8,158.5	4,471.4	4,903.9	50.6	18.6	0.6	5.0	57.0	91.2
Gulf Bank	833.6	7,480.1	5,466.9	4,656.7	60.2	17.4	0.8	7.3	46.5	117.4
Commercial Bank of Kuwait	745.7	4,665.9	2,806.9	2,489.8	157.2	19.0	3.6	22.4	36.4	112.7
Al Ahli Bank of Kuwait	720.9	7,373.5	4,829.0	4,424.8	52.7	16.9	0.8	7.9	46.5	109.1
Kuwait International Bank	444.0	3,923.0	2,845.8	2,754.4	23.3	18.4	0.6	5.3	57.7	103.3
Warba Bank	411.8	5,293.8	3,642.6	3,149.1	22.4	16.8	0.4	5.6	57.8	115.7

Source: Publicly available financial statements

Table 2: Kuwaiti banks – aggregate financial figures, December 2021–April 2025

KD mn except where stated	Apr 2025	Dec 2024	Dec 2023	Dec 2022	Dec 2021
Claims on private sector	48,425.6	47,246.1	44,253.6	42,510.5	39,026.8
Foreign assets	29,425.6	27,905.9	22,837.2	19,569.9	17,001.9
Assets/liabilities	96,041.1	91,662.2	84,989.9	82,145.9	73,708.7
Assets/liabilities (\$ mn)	313,296.7	295,684.5	276,569.8	269,675.7	244,197.9
Private sector deposits	40,255.4	38,993.5	37,691.0	35,988.9	33,586.9
Foreign liabilities	14,041.7	12,744.7	12,318.8	12,967.0	10,219.5
Own funds	16,525.5	15,994.7	14,411.0	11,213.3	10,524.3
Claims on private sector % private sector deposits	120.3	121.2	117.4	118.1	116.2
Claims on private sector % assets/liabilities	50.4	51.5	52.1	51.7	52.9
Private sector deposits % assets/liabilities	41.9	42.5	44.3	43.8	45.6
Foreign liabilities % assets/liabilities	17.2	17.4	17.0	13.7	14.3

Source: Central Bank of Kuwait

Balance sheet flexibility

Kuwait's commercial banks have sufficient balance sheet flexibility to take advantage of new opportunities and a more dynamic local economy. Although, across the system as a whole, the ratio of private sector credit to private sector deposits stands at well over 100%, banks' placements with overseas banks greatly exceed their borrowings from overseas banks, creating a surplus that could easily be deployed into the local market. All have risk-weighted capital ratios above 16%, giving them scope to increase leverage and balance sheet size. (See Table 2)

The locally incorporated commercial banks also enjoy a degree of protection from overseas competition that many of their peers in other countries, in the GCC and the broader Middle East, would envy. There is no 'off-shore' centre giving huge foreign banks a gateway through which to offer corporate credit facilities to large local companies.

There are no foreign banks incorporated in Kuwait, and the number of foreign branches is small. The most recent branch licence to be issued was to Industrial and Commercial Bank of China in 2014, the first to be issued to a non-GCC bank in eight years. Banks from Bahrain, Oman, Qatar, and the UAE have licences, but none from Saudi Arabia do, or from Middle East countries outside the GCC. (See Table 3)

In February, Larry Fink, the Chairman and CEO of BlackRock visited Kuwait and met with the Crown Prince, but at the time of writing there was no sign of the company opening an office. It would be a tremendous coup for Kuwait if the world's biggest asset manager were to establish operations in the country.

Back to the future

It used to be that the Kuwaiti financial system led the Middle East. It was where the most innovative financial transactions in Middle East finance were launched, and where aspiring young bankers would seek out jobs.

The Kuwaiti government opened an investment office in London in 1953. In 1966, Kuwait banks and public institutions banded together to launch United Bank of Kuwait (UBK), a successful London bank that continued in operation until it became part of Ahli United Bank in 2000. In the late 1980s

and into the 1990s, at least four Kuwaiti commercial banks had offices in London. Now only two have subsidiaries, NBK and KFH, although Boubyan, NBK's subsidiary, owns Bank of London and the Middle East (BLME).

Of course, Kuwaiti banks have faced far greater challenges than banks in other GCC countries. Kuwait was invaded and brutally occupied by Iraq for six months in 1990–91, and its proximity to Iraq and to Iran continues to make potential investors nervous. Over-dependence on oil revenues – even when compared to many of its oil exporting neighbours – leads to volatile government budgets and liquidity squeezes.

The merger of Warba and Gulf Bank, KFH's ambitious takeover of Ahli United Bank (by far the most significant cross-border banking transaction in the history of GCC banking) and the tentative steps to introduce greater dynamism in government processes and policy are all hopeful signs for the future. The Kuwaiti financial system and its banks have solid foundations. They are well placed to take advantage of a more vibrant policy environment. ■

Table 3: Branches of foreign banks

	Year of incorporation
GCC	
Bank of Bahrain and Kuwait	1977
First Abu Dhabi Bank	2005
Qatar National Bank	2007
Doha Bank	2008
Mashreq Bank	2009
Bank Muscat	2010
Al-Rajhi Bank	2010
Non-GCC banks	
BNP Paribas	2005
HSBC Bank Middle East	2005
Citibank	2006
Industrial and Commercial Bank of China	2014

Source: Central Bank of Kuwait



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Beyond the Basel III endgame: focusing on new risks to banking stability

As the Basel III package of banking standards enters its final stages of implementation, new risks, such as digitalisation and reliance on third-party service providers are among the Basel Committee's priorities, reports Andrew Cunningham, *Arab Banker's* former editor.

Implementation of the vast set of banking standards known as Basel III is approaching a conclusion. Quibbles over timing and threats from parts of the US to ignore, or even roll back, some of its measures are, within the context of all that has been achieved, just minor details.

The latest progress report published on the Basel Committee's website shows that 70% of Basel III's 27 key measures have been implemented, either in full or nearly in full, by banks that together account for 90% of global banking assets.

Areas where there is still work to do include market risk, Credit Valuation Adjustment (CVA) and the output floor, all complex fields of risk and capital calculation, where final standards took a long time to be agreed by the international community.

Basel III was a response to the global financial crisis of 2008–2009. Since then, risk-adjusted capital held by banks has doubled or trebled, new measures of liquidity and funding have been introduced and enforced, and a range of other standards related to governance and risk management adopted.

For example, the largest banks in the world – those with equity of \$3 bn or more – are now showing total capital ratios of around 16%, compared to around 7% in 2011. And remember that the 2011 figure came after significant recapitalisations that followed the crisis. Prior to the crisis, capital ratios were even lower.

Defining capital risk

The increase in capital ratios has been even more significant than the percentages suggest, since previous definitions of capital have been narrowed and the breadth of risk-weighted assets against which capital must be held has been widened. So, in mathematical terms, the numerator of the capital ratio has been reduced, and the denominator increased.

The decision to apply a stricter definition of capital was a response to the many complex capital instruments issued in the years before the crisis that turned out not to be available to absorb losses in the way advertised to financial regulators. And the broadening of risk definitions was a response to the realisation that the potential losses on various forms of risk had not been adequately captured: the best example is CVA, which addresses mark-to-market gains and losses on various types of counterparty exposures. CVA exposures were not included under the previous capital regime, but were, in the

event, a cause of significant losses during the financial crisis.

Basel III also introduced, for the first time, global standards on liquidity. As a result of the introduction of the Liquidity Coverage Ratio (LCR), which measures banks' ability to survive 30 days of stressed liquidity conditions, short-term liquidity of the world's largest banks has increased by about 20%. The strength and reliability of funding was also increased through the introduction of the Net Stable Funding Ratio, which measures the extent to which banks are funding long term assets with short term liabilities, or funding assets in one currency with liabilities in another.

The fundamentals of the new capital regime were introduced in 2010–2012 and the standards on liquidity and funding in 2013–2014, with implementation being completed about five years later. The benefits were seen when the Covid pandemic hit in 2021. To take one example, in the months leading up to the global financial crisis, the largest British banks had capital ratios of about 4.5%. In the months before the Covid lock-downs, their capital ratios were about 14%.

Revisions to the market-risk framework have been particularly protracted, which is hardly surprising given the complexity of market-risk calculations, and the need to make them relevant and accessible for all types of banks. The final standard was published in 2019 with implementation due to be completed three years later.

Contentious decisions

Most controversial has been the output floor, which limits the extent to which sophisticated banks can benefit from using their own models to calculate risk-weighted assets, rather than using standardised inputs published by the Basel Committee. This was a particular bone of contention between European and US regulators, since EU banks gain more than US banks from the use of internal models, so have more to lose. Simplifying greatly, EU banks have more exposure than US banks to low-rated or unrated corporate entities which attract high risk weightings from the Basel Committee. This is because US capital markets are more developed than those in the EU, so more companies are able to raise funds through the bond markets in the US rather than relying on banks.

The output floor is being phased in, and is due for final application at the end of 2028.

As the Basel Committee looks beyond the final implementation of the standards developed in response to

the global financial crisis, it is keen to incorporate lessons learned from the banking turmoil in the US during the first half of 2023: turmoil that saw the failure of Silicon Valley Bank, the 16th largest in the US, and of several other significant US banks.

Silicon Valley Bank's failure was prompted by unrealised mark-to-market losses that were lurking in Other Comprehensive Income, but the immediate cause of its failure was (as bank failures always are) the loss of liquidity once market confidence was lost. Standard setters are concerned that news and opinions now circulate so fast through social media channels that market confidence can now be lost much more quickly than in the past, and before central banking authorities have time to put support in place. The issue is less, what should banks be doing to strengthen their liquidity, but how should financial authorities ensure that they can respond more quickly to market disruptions, regardless of whether they are well founded or not?

The Basel Committee also recognises that the Silicon Valley Bank debacle suggests that it needs to review the effectiveness of the standards on interest rate risk in the banking book. Although they were introduced in 2016, the bank nonetheless accumulated huge unrecognised losses.

The Basel Committee's work plan for 2025–26 identifies the digitalisation of finance, including cryptofinance, and the use of artificial intelligence as key areas for future work. The committee issued standards on the prudential treatment of cryptoassets in 2022, but recognises that more work needs to be done to address broader issues, beyond balance sheet exposures.

Third party risk

The use of third party providers is also high up the agenda. This is driven in part by banks' willingness to outsource some of the more complex areas of their IT systems to specialised firms – a practice that is particularly attractive to small and medium sized banks, including many in the Middle East, who lack the scale and financial resources to develop sophisticated technology in-house. It is also being driven by the desire of banks to develop relationships with non-bank financial institutions that lie outside the regulatory perimeter. Cooperation with on-line shopping platforms, taxi companies, and other retail outlets is proliferating, as commercial banks try to become part of the fabric of their customers' lifestyles, reaching well beyond traditional financial products.

The Basel Committee is currently developing principles for the sound management of third party risk – a consultation document was issued in mid-2024.

These new agenda items are very different from the narrow focus on risk-adjusted capital that the committee first began addressing some 40 years ago, yet it is over issues of capital calculation that we are most likely to see disputes during the final few years of the Basel III implementation timetable.

US banks are arguing that full implementation of Basel III will entail unnecessary enhancements to capital ratios that are already quite high enough. To the extent that US regulators sympathise with their banks, their options are to reduce some of Basel's risk weights and to give exemptions to medium and smaller banks, many of which are community based.

If the US does in fact do this, there will be a huge outcry from much of the rest of the global banking community, and from Basel itself. Yet, national governments, or in the case

of Europe, regional bodies, have always sought ways to adapt Basel standards to protect their own banks.

Remember that Basel standards are just that: standards. Banks are only required to implement laws and regulations set by their national authorities which may or may not reflect exactly what is said in the standard.

The EU authorities have for years imposed on their banks lower capital requirements in respect of lending to small- and medium-sized enterprises () than those specified in the Basel standards. Officials in the European Commission have produced fine academic studies justifying the concessions in terms of the historical performance of SMEs, but not one impartial observer could doubt the measure is politically driven, given the desire of the European Commission to support the SME sector.

When incorporating the Net Stable Funding Ratio into regulation, national authorities have sometimes reduced the weightings given to commercial real estate exposures – usually long-term and illiquid – to enable their banks to report apparently stronger funding metrics.

National divergence has always been a problematic issue for the Basel standards. As parts of the global community move away from a commitment to globalisation and towards a more regional view of economics and trade, perhaps the Basel Committee will be a victim. Maybe we have passed the high point of global cooperation on financial standards.

The Basel Committee on Banking Supervision was founded in 1974, after the collapse of a German bank, Herstatt Bank, caused financial turmoil across global financial markets. Last year, the Basel Committee celebrated its 50th anniversary. Will it survive to celebrate its 60th? I'd predict yes, but it will be a very different organisation to that which has done so much good work on bank capital and liquidity. ■

From 28 pages to more than 2,000!

The first Basel capital standard was issued in 1988 and provided, for the first time, a globally accepted method for measuring banks' risk-adjusted capital ratios. 'Basel I' set a figure of 8% for the relationship between eligible capital (that is, capital that the standard setters agreed ought to be counted as capital) and risk-weighted assets. The full text ran to 28 pages and addressed only credit risk.

In 1996, the Basel committee responded to the increase in banks' trading activities by issuing a document entitled, 'Market Risk Amendment', prescribing ways to calculate how much capital should be held against market risk.

In 2004, Basel II was published, folding the Market Risk Amendment into the main text and adding methodology for calculating how much capital should be held against operational risk. Basel II also provided for more sophisticated banks to use their own models to calculate the extent of their risk-weighted assets, rather than using standard inputs set out by the Basel Committee. Basel II ran to 333 pages.

Basel III is a broad package of standards that was published over several years. There is no single Basel III text, but if you printed out all the final standards you would end up with well over 2,000 pages! In December 2017, the Basel committee published a document titled, 'Finalising post-crisis reforms'. Often erroneously described as Basel IV, it is the provisions of this document that are now entering their final stages of implementation.

Beyond Horizons

GCC commercial banks continue trend of strong profitability, as opportunities beckon at home

GCC banks continued their long run of strong profitability during 2024, and the trend continued during the first half of 2025. The gap between GCC banking and banking in the rest of the Middle East is widening, as non-Gulf banking systems struggle with domestic uncertainty and out-dated financial policies. Andrew Cunningham, presents *Arab Banker's* annual review of the GCC banks, and our list of the biggest 50, ranked by equity.

All 50 of the largest GCC commercial banks were profitable in 2024, both at an operating level, before provisions for loan losses and value adjustments, and in terms of net profitability. This is the fourth year in a row that none of the top 50 has declared a net loss.

All but one have total capital ratios in excess of 15%, and almost half have total capital ratios higher than 18%. The vast majority of GCC banks' capital funds are in the form of CET1, the strongest and most reliable type of capital. Nearly all the leading banks have efficiency ratios, measured as operating income/operating expenses, of less than 40%.

There are now 60 active commercial banks in the GCC, down from 72 a few years ago. The reduction has arisen due to mergers and acquisitions between banks, particularly in the UAE, where the number of active commercial banks has fallen to 17 from 22.

Arab Banker's annual listing shows only the biggest 50. Two of the smaller banks, outside the top 50, did declare net losses in 2024: Investbank, in Sharjah, which is still grappling with some long-term challenges, and Al-Baraka bank in Bahrain, which is part of the much larger Al-Baraka group. Two other smaller banks, Ajman Bank, and Bank of Sharjah, which declared net losses in 2023, have returned to profitability.

Saudi National Bank, the product of a merger, in 2021, between National Commercial Bank and Samba Financial Group, remains by far the biggest GCC bank when ranked by equity: \$51,540 mn at the end of 2024. Four other banks had own funds greater than \$30 bn: First Abu Dhabi Bank, Emirates NBD, Al-Rajhi Bank of Saudi Arabia, and Qatar National Bank. Another two had equity greater than \$20bn. A total of 16 had equity more than \$10bn.

Of the 60 active commercial banks, 17 are based in the UAE, 10 in Saudi Arabia, nine each in Bahrain and in Kuwait, eight in Qatar and seven in Oman.

Care has to be taken with the figure for banks in Bahrain

Aggregated size of GCC commercial banks, end 2024

Banks in Saudi Arabia and the UAE account for two thirds of loans and deposits in the GCC, with banks in Qatar and Kuwait accounting for most of the remainder. However, it is important to recognise the level of concentration in some countries. Bahrain accounts for only 3% of total equity, but more than half of that is contributed by just two of its banks, Bank ABC and Gulf International Bank (GIB). Bank ABC is the 25th biggest bank in the GCC and GIB is the 28th.

	Number of banks	Equity		Assets		Loans		Customers' Deposits	
		\$mn	% of total	\$mn	% of total	\$mn	% of total	\$mn	% of total
Bahrain	9	14,137	3	148,610	4	62,927	3	88,541	4
Kuwait	9	54,311	12	397,784	11	237,948	11	231,900	10
Oman	7	16,417	4	109,298	3	79,986	4	82,120	4
Qatar	8	70,071	15	617,079	17	410,546	19	393,827	17
Saudi Arabia	10	168,916	36	1,121,816	32	749,000	35	715,539	31
UAE	17	141,102	30	1,136,269	32	580,128	27	760,385	33
Total	60	464,954	100	3,530,856	100	2,120,535	100	2,272,312	100

* The figures for equity, assets, loans and customers deposits are calculated by adding together the individual figures for each bank in the respective country. This leads to some double counting, as there are some banks that have stakes in other banks, and therefore consolidate them into their own financial statements; and many, perhaps most, of the banks have assets and liabilities placed with other banks as a result of routine interbank relationships. Nonetheless, the aggregated figures give a fair impression of the relative size of the six GCC banking systems. Some totals may not add to 100 due to rounding.

Source for equity, assets, loans customers' deposits figures: publicly available financial statements of individual banks.

since the Central Bank of Bahrain lists 83 licensed banks, but most of these are branches of foreign banks, and many others are wholesale banks that are now inactive: in both cases a reflection of Bahrain's previous role as the Gulf's offshore banking centre. There are also a number of overlapping licences: Gulf International Bank, for example, holds both a conventional retail and a conventional wholesale licence.

The UAE's federal structure is the main reason for the country's large number of banks, each of the smaller emirates wants to have its own bank: Ajman Bank and National Bank of Umm al-Qaiwain are examples. Sharjah continues to have four banks, the same number as are incorporated in Abu Dhabi and in Dubai.

The authorities in Abu Dhabi and Dubai have successfully tidied up their banking systems in recent years, as have the authorities in Oman. Struggling banks in Qatar and Bahrain have been folded into larger ones.

Scope for further consolidation exists, but any moves are now more likely to be driven by the prospect of synergies and expansion than by the need to call time on smaller establishments unable to make a mark. With such huge opportunities for retail and corporate financing in Saudi Arabia, another merger of well performing, strong banks would be welcome.

In mid-2025, Kuwait's Warba Bank was bidding to take full control of Gulf Bank. If this went ahead it would be the second domestic merger, after Kuwait Finance House absorbed Ahli United Bank of Kuwait, following the acquisition of its Bahrain-incorporated parent, Ahli United Bank.

Arab Banker's annual survey considers only banks that are locally-incorporated and licensed by their central bank. In the UAE there are many banks that are licensed by the Dubai Financial Services Authority, in the Dubai International Finance Centre, or by the Financial Services Regulatory Authority in the Abu Dhabi Global Market; and there are many in Qatar that are licensed by the Qatar Financial Centre Regulatory Authority. Although these banks are able to conduct some local business, their domestic impact is limited by comparison with the scale of loans extended and deposits collected by those institutions that hold their license from their central banks.

Future challenges

As GCC banks look ahead, they face three strategic challenges and choices.

The first is the challenge from new, digital banks that are targeting specific segments and sectors of the banking market, nibbling at the broad franchises of the full-service banks. It is a challenge being faced by traditional banks worldwide. Typically such new digital entrants target lending to small- and medium-sized enterprises, and focus on younger, digitally savvy customers. Yet this can no longer be defined as a new threat and while many of these new players are showing impressive growth rates, we are not seeing traditional banks losing significant market share or facing threats to profitability as a result. In some cases this is because the traditional banks have created their own separately branded, digitally focused banks and financial companies. Bank ABC's iila Bank and Mashreq Neo are examples in the GCC.

The second challenge relates to the lack of growth opportunities in the Middle East beyond the GCC. Many

GCC banks have built successful businesses in Egypt after taking advantage of the Egyptian government's sale of its stakes in joint venture banks in the years between 2005 and 2015. But few such opportunities now remain. Iraq has not offered the opportunities for foreign banks that many had hoped for – the public sector continues to dominate economic activity, and private sector lending relies heavily on personal relationships due to the unpredictable nature of the legal system.

Some are anticipating great opportunities for banks in post-Assad Syria. Perhaps Syria will indeed transition from a family-controlled economy in which business was rooted in personal relationships to more open and market-based economics. But that was the hope for Iraq after Saddam.

Elsewhere in the region, Lebanon remains mired in financial crisis. There have been several positive developments during 2025, including the appointment of a new central bank governor. Even so, opportunities for GCC banks to do good banking business in Lebanon are likely to be minimal over the next two years.

Hopes that Algeria will open up its banking system are perennially disappointed. Morocco has one of the most dynamic banking systems in the region, but it is one that, unfortunately, GCC banks have lacked the desire, ability or, perhaps, the regulatory sanction, to penetrate.

Finally, there is the challenge of expansion beyond the Middle East, either into Europe, Asia, or Africa.

Regulatory burdens in the European Union and the UK are prohibitive, yet even so, the number of subsidiaries and branches is still surprisingly small. Neither of the two biggest Saudi banks have a presence in London, although National Commercial Bank (NCB), one half of Saudi National Bank, and Al-Rajhi both had a presence in the past. The issues that led to NCB's departure from London, decades ago, could hardly be an impediment today, although Samba withdrew from London more recently in 2019.

Of the Qatari banks, only Qatar National Bank has an office in London.

Oman has no banking presence in London. True, Omani banks are small, but their complete absence is surprising, given the strong historical ties between the UK and the sultanate.

GCC banks have never been strong in Africa. In contrast, Moroccan banks have successfully challenged French banks in West Africa, while Lebanese banks have also successfully developed representative offices there, based on the Lebanese diaspora in West Africa. Egyptian banks are now taking more of an interest, following political initiatives being taken by their government.

As for Asia, there is the question of scale: would GCC banks be able to compete with local banks that are as big or even bigger than them, and equally as sophisticated if not more so?

With so many opportunities at home, it is perhaps natural that GCC banks will be cautious about overseas expansion. This is particularly evident in Saudi Arabia, where huge social changes are accelerating investment and growth in the local economy. Much the same can be said of the other GCC states.

As long as reasonable oil prices continue to provide governments with financial liquidity, and as long as social and economic development continues, GCC banks will have every reason to direct their attention to domestic opportunities, rather than chasing uncertain prospects abroad. ■

Largest 50 GCC commercial banks, ranked by equity size (end-2024)*
All figures in \$ mn except for the capital ratio which is %

			Equity	Assets	Net Loans	Customers' Deposits	Net Profit	Total Capital Ratio (Basel)
1	Saudi National Bank	Saudi Arabia	51,540.1	294,441.2	174,467.3	154,603.2	5,625.0	20.8
2	First Abu Dhabi Bank	UAE (Abu Dhabi)	35,660.8	330,585.0	144,113.6	213,182.3	4,658.3	17.5
3	Emirates NBD	UAE (Dubai)	34,390.7	271,548.2	136,683.1	181,683.1	6,269.2	17.1
4	Al-Rajhi Bank	Saudi Arabia	32,837.1	259,836.5	184,909.3	167,530.3	5,261.7	20.2
5	Qatar National Bank	Qatar	31,259.6	356,570.5	250,208.2	243,684.0	4,654.5	19.2
6	Kuwait Finance House	Kuwait	20,702.9	118,398.1	61,515.2	61,999.7	2,070.6	19.9
7	Abu Dhabi Commercial Bank	UAE (Abu Dhabi)	20,590.4	177,878.5	95,541.8	114,730.2	2,566.6	16.1
8	Saudi Awwal Bank	Saudi Arabia	18,209.7	106,518.1	69,158.8	71,202.9	2,152.1	19.7
9	Riyad Bank	Saudi Arabia	18,117.9	120,101.0	85,357.2	81,712.9	2,485.8	18.9
10	National Bank of Kuwait	Kuwait	16,634.5	130,123.2	76,476.1	73,761.9	2,060.0	17.3
11	Dubai Islamic Bank	UAE (Dubai)	14,401.3	93,920.1	57,881.9	67,723.7	2,224.8	18.3
12	Banque Saudi Fransi	Saudi Arabia	12,428.5	78,073.5	54,444.9	49,364.9	1,211.8	19.7
13	Alinma Bank	Saudi Arabia	11,051.1	73,820.7	53,948.8	56,145.3	1,555.1	18.0
14	Mashreq Bank	UAE (Dubai)	10,294.3	72,875.5	33,994.1	43,852.8	2,457.1	17.5
15	Arab National Bank	Saudi Arabia	10,165.1	66,215.3	45,198.6	48,586.2	1,324.6	18.9
16	Commercial Bank of Qatar	Qatar	10,033.6	62,808.0	34,651.5	29,169.2	1,148.5	17.2
17	Qatar Islamic Bank	Qatar	8,728.2	55,159.3	34,415.9	34,339.2	1,263.7	20.9
18	Abu Dhabi Islamic Bank	UAE (Abu Dhabi)	7,715.9	61,555.8	38,858.5	49,775.3	1,662.5	16.2
19	Masraf al-Rayan	Qatar	6,959.0	47,003.8	30,230.7	29,563.3	419.5	23.9
20	Bank Muscat	Oman	6,433.7	36,610.5	26,940.8	25,729.2	593.7	20.0
21	Saudi Investment Bank	Saudi Arabia	5,527.6	41,777.8	26,524.4	25,070.2	521.8	19.7
22	Commercial Bank of Dubai	UAE (Dubai)	4,747.8	38,194.9	25,353.8	26,584.1	825.6	15.6
23	Bank ABC	Bahrain	4,643.0	46,265.0	18,649.0	22,431.0	351.0	16.6
24	Bank Al Jazira	Saudi Arabia	4,587.1	39,708.3	25,843.3	28,849.7	328.3	18.0
25	Bank Albilad	Saudi Arabia	4,451.5	41,323.9	29,147.8	32,473.7	748.4	18.3
26	Doha Bank	Qatar	4,070.9	30,287.6	16,753.7	13,970.3	233.9	19.5
27	Dukhan Bank	Qatar	4,060.2	32,401.0	23,684.7	22,898.6	368.8	17.3
28	Gulf International Bank	Bahrain	3,516.5	42,891.5	15,402.3	28,195.2	180.2	15.6
29	Boubyan Bank	Kuwait	3,503.5	30,247.1	22,335.2	23,949.0	312.3	17.9
30	Burgan Bank	Kuwait	3,290.0	26,317.7	14,423.9	15,819.0	163.2	18.6
31	National Bank of Ras Al Khaimah	UAE (Ras al-Khaimah)	3,214.4	24,066.9	12,867.5	16,253.3	565.6	18.1
32	Gulf Bank	Kuwait	2,689.0	24,129.4	17,635.2	15,021.6	194.2	17.4
33	Qatar Internat. Islamic Bank	Qatar	2,637.4	16,477.9	10,803.9	11,369.1	346.2	19.3
34	Commercial Bank of Kuwait	Kuwait	2,405.5	15,051.3	9,054.5	8,031.6	507.1	19.0
35	Sohar International Bank	Oman	2,363.9	19,370.5	11,236.3	15,202.9	263.7	17.3
36	Al Ahli Bank of Kuwait	Kuwait	2,325.5	23,785.5	15,577.4	14,273.5	170.0	16.9
37	Ahli Bank of Qatar	Qatar	2,322.3	16,371.2	9,797.6	8,833.4	244.9	21.2
38	Sharjah Islamic Bank	UAE (Sharjah)	2,262.5	21,583.2	10,268.9	14,103.1	285.5	17.1
39	National Bank of Oman	Oman	2,021.3	13,796.1	10,331.8	10,864.5	166.1	17.1
40	Bank Dhofar	Oman	1,948.4	13,381.6	10,351.6	9,902.4	114.7	16.5
41	National Bank of Fujairah	UAE (Fujairah)	1,868.0	16,588.3	8,826.2	12,467.8	231.6	16.6
42	Bank of Bahrain and Kuwait	Bahrain	1,641.3	11,033.2	4,721.3	6,345.5	191.3	26.5
43	National Bank of Umm al-Qaiwain	UAE (Umm al-Qaiwain)	1,631.0	4,872.1	2,118.7	3,107.8	137.9	36.2
44	National Bank of Bahrain	Bahrain	1,583.6	14,647.8	8,010.6	9,930.5	220.2	21.5
45	Al Salam Bank	Bahrain	1,561.6	18,586.3	9,636.1	12,957.1	182.9	24.8
46	Oman Arab Bank	Oman	1,488.9	11,293.2	9,070.3	9,301.1	80.0	16.8
47	Ahli Bank	Oman	1,468.4	9,881.3	7,953.4	7,270.3	109.7	15.4
48	Kuwait International Bank	Kuwait	1,432.3	12,654.8	9,179.8	8,885.2	75.2	18.4
49	Warba Bank	Kuwait	1,328.2	17,076.8	11,750.3	10,158.4	72.3	16.8
50	Al Masraf	UAE (Abu Dhabi)	1,123.7	6,717.2	3,551.4	4,621.3	63.0	20.1

**Includes GCC banks that are licensed by their central bank. Source for data is publicly available financial statements*

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Middle East sovereign ratings remain robust in the face of regional tensions

Several Middle Eastern governments received ratings upgrades or positive changes to their rating outlooks over the past year, despite continuing war in Gaza and the widening of the conflict to include Iran. *Arab Banker's* former Editor, Andrew Cunningham, presents our annual review of sovereign credit ratings in the Middle East.

Over the past year, Egypt, Jordan, Oman, Saudi Arabia and Tunisia have seen their credit ratings upgraded by at least one of the big three international credit rating agencies: Fitch, Moody's and S&P. Only Bahrain has seen negative movement, though this was only to its rating outlooks: the ratings themselves are unchanged from last year.

Moody's upgraded Saudi Arabia by one notch to Aa3 (equivalent to AA- from Fitch or S&P) in November 2024, and in March this year, S&P upgraded by one notch to A+. Fitch's rating, at A+, which is the result of an upgrade in April 2023, is unchanged.

Moody's upgrade puts the kingdom back in AA- territory for the first time since 2017. Prior to 2015, Saudi Arabia had for several years held AA- ratings from all three agencies.

In an update to its ratings opinion, published in May this year, Moody's noted that, 'While the sovereign remains exposed to cyclical declines in oil prices and longer-term risks stemming from global carbon transition, continued progress on economic and fiscal diversification will over time, gradually reduce its reliance on hydrocarbons and exposure to oil market developments.'

In announcing its upgrade, S&P highlighted, 'social and economic transformation that is underpinned by improving governance effectiveness and institutional settings.'

All three agencies now have stable outlooks on their ratings on the kingdom, so neither upgrades nor downgrades are likely over the next two years in the absence of significant changes to the regional security situation, the price of oil, or local politics.

Oman was upgraded by S&P to BBB- in September 2024, taking the sultanate back into investment grade territory. The other two agencies changed their outlooks to positive, with Moody's upgrading its rating to BBB- in August 2024 – after last year's issue of *Arab Banker* magazine had gone to press – and Fitch following suit with a BBB+ rating in December 2024.

Announcing its upgrade, S&P cited the continued deleveraging of the government's balance sheet, along with the balance sheets of many state-owned enterprises; as well as the introduction of value-added tax in 2021 and reductions in electricity and water subsidies. Taken together these measures, which were initiated by Sultan Hatham bin Tariq following his accession to the throne in 2020, have reversed

the fiscal decline that saw Oman losing the investment grade ratings that it held from all three agencies prior to 2017.

Fitch and S&P have changed their outlooks on Bahrain's ratings to negative. Both agencies rate the Kingdom at B+, one notch above Moody's, which is maintaining a stable outlook.

Fitch cited Bahrain's continuing high budget deficits, a rising interest burden and further delays to planned economic reforms. S&P drew attention to weaker oil prices and 'stalling fiscal reforms' that it says will keep Bahrain's government debt on a rising trajectory.

Bahrain is by far the lowest rated GCC country, deep in sub-investment grade territory. Kuwait, Qatar and the United Arab Emirates continue to enjoy double-A ratings and stable outlooks. The S&P rating was assigned in June this year. The Federation had previously only been rated by Fitch and Moody's, although S&P had rated the Emirate of Abu Dhabi.

Moody's and S&P rate the UAE and Abu Dhabi at the same level, while Fitch's AA rating on Abu Dhabi is one notch higher than its rating on the UAE.

Sharjah and Ras Al-Khaimah hold ratings from some but not all of the three agencies. Ras Al-Khaimah was upgraded to A by S&P in November 2024, having been upgraded to A+ by Fitch in May that year. S&P revised to negative the outlook on its BBB- rating on Sharjah in March this year.

Beyond the GCC, no country has an investment grade rating from any of the big three agencies.

Morocco has BB+ ratings from all three (one notch below investment grade), and has a positive outlook from S&P.

S&P upgraded Jordan to BB- in September 2024. That move followed an upgrade from Moody's in May 2024. All three agencies now have Jordan at BB-, with stable outlooks.

Egypt was upgraded to B by Fitch in November 2024, one notch above S&P's B-, and two above Moody's Caa1. But S&P changed the outlook on its B- rating to negative in April this year. It said that, 'despite having undertaken significant reforms since March 2024, Egypt's elevated external and domestic financial requirement make it susceptible to current global financial market headwinds.' The agency added that Egypt has one of the highest interest-to-government revenue burdens of all sovereigns.

None of the big three agencies has a public rating on Algeria. ■

Ratings on governments in the Middle East ('Sovereign ratings')

Moody's ratings are shown using Fitch/S&P notation to facilitate comparison

		6 July 2025	3 August 2024	12 July 2023
Bahrain	Fitch	B+ negative	B+ stable	B+ stable
	Moody's	B stable	B stable	B stable
	S&P	B+ negative	B+ stable	B+ positive
Egypt	Fitch	B stable	B- positive	B negative
	Moody's	Caa1 positive	Caa1 positive	B- (Review Down)
	S&P	B- stable	B- positive	B negative
Iraq	Fitch	B- stable	B- stable	B- stable
	Moody's	Caa1 stable	Caa1 stable	Caa1 stable
	S&P	B- stable	B- stable	B- stable
Jordan	Fitch	BB- stable	BB- stable	BB- stable
	Moody's	BB- stable	BB- stable	B+ positive
	S&P	BB- stable	B+ stable	B+ stable
Kuwait	Fitch	AA- stable	AA- stable	AA- stable
	Moody's	A+ stable	A+ stable	A+ stable
	S&P	A+ stable	A+ stable	A+ stable
Lebanon	Fitch	Rating withdrawn	Rating withdrawn	RD
	Moody's	C stable	C stable	C stable
	S&P	SD	SD	SD
Morocco	Fitch	BB+ stable	BB+ stable	BB+ stable
	Moody's	BB+ stable	BB+ stable	BB+ stable
	S&P	BB+ positive	BB+ positive	BB+ stable
Oman	Fitch	BB+ positive	BB+ stable	BB positive
	Moody's	BB+ positive	BB+ stable	BB positive
	S&P	BBB- stable	BB+ positive	BB positive
Qatar	Fitch	AA stable	AA stable	AA- positive
	Moody's	AA stable	AA stable	AA- positive
	S&P	AA stable	AA stable	AA stable
Saudi Arabia	Fitch	A+ stable	A+ stable	A+ stable
	Moody's	AA- stable	A+ positive	A+ positive
	S&P	A+ Stable	A stable	A stable
Tunisia	Fitch	CCC+ (no outlook)	CCC- (no outlook)	CCC- (no outlook)
	Moody's	Caa1 Stable	Caa2 stable	Caa2 negative
	S&P	Not rated	Not rated	Not rated
UAE	Fitch	AA- stable	AA- stable	AA- stable
	Moody's	AA stable	AA stable	AA stable
	S&P	AA stable	Not rated	Not rated

Source: Publicly available information on the rating agencies' websites.



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Re-carbonising the energy transition



The global transition to renewable energy has reached a tipping point. It is now widely accepted that oil and gas will remain a mainstay of the global energy mix for the foreseeable future, while the rollout of new low-carbon fuels such as green hydrogen will be slower than expected. Jamie Ingram, Managing Editor of Middle East Economic Survey, has been analysing what this means for the sector.

The narrative had already been quietly changing behind the scenes amid growing concerns over rising energy costs, but the November 2024 election of Donald Trump as US president served as a catalyst for the debate to burst into the open, with a flurry of US banks quitting the Net Zero Banking Alliance (NZBA) in early 2025.

The NZBA was established in 2021 at the height of the debate on peak oil demand, with members committing to align their investment activities with net-zero greenhouse gas emissions by 2050. At the same time, multilateral lenders such as the European Bank for Reconstruction and Development scaled back financing for hydrocarbon projects. The upshot was a tightening of financing from traditional sources for hydrocarbon projects, with more opaque private equity firms stepping in to fill the gap.

Yet oil and gas producers have long argued that the energy transition narrative was becoming overly simplistic and that hydrocarbons would remain a key part of the energy mix for decades to come. Instead of curtailing investment in the sector, they maintain that investment should focus on reducing emissions wherever possible, while recognising the wide range of carbon intensity from different producers. 'The Paris Agreement is not about reducing oil demand; it is about

reducing emissions', OPEC Secretary General, Haitham al-Ghais said in April 2024, adding, 'It is high time that all narratives accurately reflect this reality.'

Now the situation is reversing, and with commercial lenders facing less pressure to invest in low-carbon projects they can be expected to increasingly focus on higher-return oil and gas ventures, while multilateral agencies are once again re-prioritising energy security. Multilateral lenders will remain key finance providers for clean energy projects, but the more marginal returns offered by such projects means commercial lenders may shy away from them.

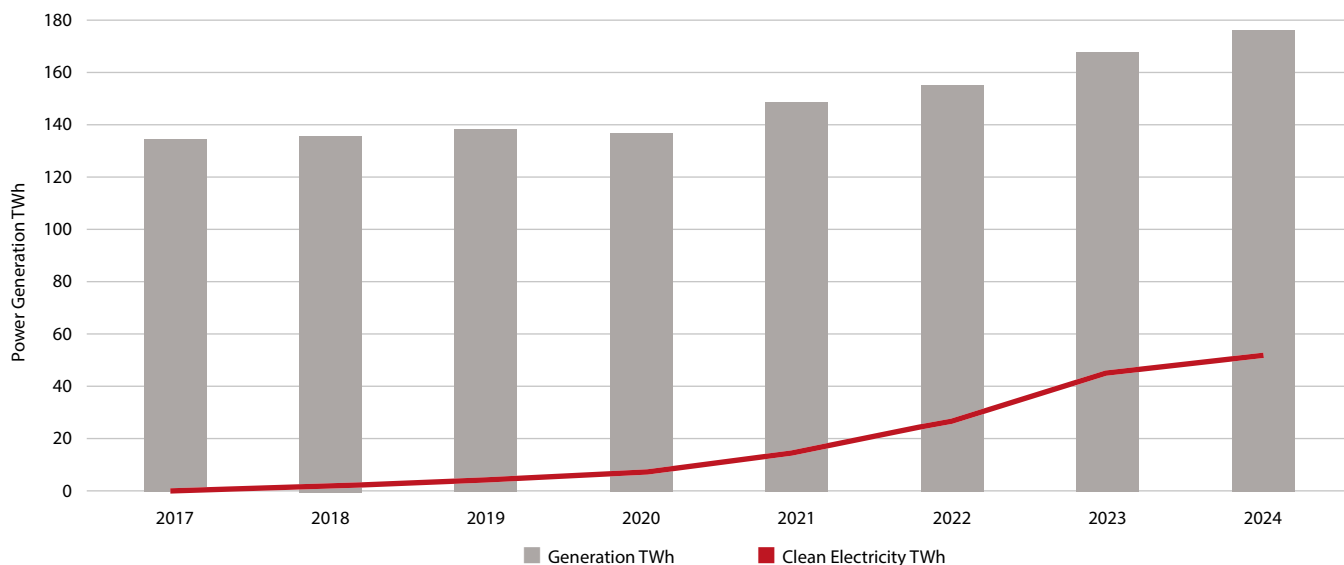
Shareholders at companies which have leaned into the energy transition have also recently begun to take action. The most prominent example was shareholder pressure forcing UK major BP to abort its pivot away from oil and gas in a strategy reset in February 2025. The previous month shareholders in US firm AirProducts toppled long-time CEO Seifi Ghasemi around concerns over the firm's heavy exposure to low-carbon hydrogen.

Yet these changing industry trade winds are not anticipated to necessitate a slowdown in energy transition throughout the entire Middle East. Here, low-carbon investments have been driven less by environmental concerns and more by economic realities. Saudi Arabia and the UAE have been pursuing an 'all of the above' strategy of simultaneously investing in hydrocarbons and low-carbon energy sources where they have competitive advantages and they will continue to do so.

United Arab Emirates: maximum energy, minimum emissions

The UAE arguably has the most diverse energy mix in the MENA region, and has also been at the forefront of introducing new methods of financing capital intensive projects. The Abu Dhabi National Oil Company (ADNOC) is approaching the finishing line for its project to increase

Clean sources account for an increasingly large share of UAE power generation (TWh)



Source: EWE, DEWA, SEWA, Arab Banker.

crude oil production capacity to 5 mn b/d by 2027 from 3.5 mn b/d in 2018, as well as achieving national gas self-sufficiency by 2030. It is also working to decarbonise its operations through the electrification of production sites and pioneering new carbon capture and sequestration techniques.

Meanwhile, combined renewables capacity in Dubai and Abu Dhabi now stands at 6 GW, while Abu Dhabi's 5.6 GW Barakah nuclear power station is producing more than 20% of the UAE's annual power generation. High levels of solar irradiation in the Gulf mean the UAE can develop solar power projects at some of the lowest prices in the world, making it cost-competitive with gas-fired power generation. The UAE therefore plans to increase renewables capacity to 14 GW by 2030 – a target it will likely exceed and which would displace gas from the power sector, enabling it to be utilised in more profitable ventures such as petrochemicals.

Investments in renewables are therefore, in this context, a cost-effective force-multiplier, enabling the UAE to extract additional revenue from its oil and gas resource base. Viewed in this light, any slowdown in the broader global energy transition is unlikely to impact its investment strategy.

Energy sector investment decisions increasingly fall under the purview of ADNOC, which took a 24% stake in state renewables firm Masdar in 2022. Armed with the proceeds from nearly 3 mn b/d of crude oil production, ADNOC faces less financial pressure to resort to debt than smaller producers, although in 2024 it raised \$4 bn through its first bond offering. This followed more innovative fund-raising methods, including securing \$15 bn through bringing investors into two pipeline subsidiaries in 2019 and 2020, and securing \$2.7 bn through a real estate leasing deal, also in 2020.

ADNOC had no shortage of willing financial partners during the period when energy transition was dominating the narrative, and officials are confident the slowdown will not affect their ability to raise capital now.

Saudi Arabia, the MENA renewables capital

If the UAE's energy investment plans are the most wide-ranging, for scale few can rival Saudi Arabia. Saudi Aramco invested nearly \$40 bn last year in maintaining its 12 mn

b/d crude oil production capacity and increasing gas output by 60% by 2030. It invested another \$13 bn in upgrading its refining and petrochemical facilities over the same period to extract additional value from its oil and gas reserves.

Having generated a free cash flow of \$357 bn over 2021–2023, Aramco has not needed to tap into debt markets and has been largely self-funded. In July 2024 it returned to the debt markets for the first time in three years with a \$6 bn bond issuance, which CFO Ziad al-Murshed said was intended to re-establish its bond yield curve rather than address any particular funding requirements. A \$3 bn sukuk offering was completed in October 2024 and further offerings will likely be made in 2025.

Aramco's capital investments increased to a record \$53 bn in 2024 and it plans to increase these to \$58 bn for 2025. Reflecting the firm's investment priorities, it expects around 60% of this to be on upstream production, 30% on refining and petrochemicals and around 10% on new energies, such as solar, where it participates in domestic projects with combined capacity of 4.1 GW.

Aramco is itself playing a role in Saudi Arabia's efforts to install up to 130 GW of renewable energy capacity by 2030. This, alongside increased gas production is intended to halt oil-for-power consumption, freeing it up for higher value uses such as exports. As much as 30% of renewable production capacity is being developed through competitive tenders under independent power producer (IPP) models, the financial structures which own the majority of the world's renewable energy generation capacity. The remainder are being developed by the PIF sovereign wealth fund and Saudi firm Acwa Power, often alongside Aramco. The PIF is becoming an active player in global debt markets to fund its activities, and since 2022 has also been issuing 'green bonds.'

Iraq: oil funding solar

Unlike its neighbours in the Gulf Cooperation Council (GCC), Iraq does not have a strong enough economy to self-finance major energy-sector projects. When oil prices dropped in 2014–16, international oil companies (IOCs) cut back on investments in Iraqi oil fields, with high profile firms such as Shell, Equinor and ExxonMobil departing entirely, and production capacity growth steadily grinding to a halt as a result.

Stretched finances have also hindered Iraqi efforts to diversify into sectors such as renewable energy. A 2021 bid round led to contracts for up to 755 MW of solar projects being awarded, but these were never finalised. Instead, the breakthrough has come through a multilayered contract with TotalEnergies, whereby the French firm will finance a 1.25 GW solar project through revenues from its Ratawi oilfield.

Both the government of Iraq and TotalEnergies see this as a replicable model which can be repeated elsewhere. Meanwhile, BP's return to Iraq's Kirkuk field this year also entails it financing other projects, including local power generation, through oil revenues from the field.

Renewables can help Egypt cut LNG imports

Outside of the Gulf, North African states operate under very different fiscal constraints, lacking the vast hydrocarbon resource bases which finance multi-billion-dollar investments in the GCC. Egypt has by far the largest oil and gas sector in North Africa, with a large number of IOCs operating concessions.

However, in a globally competitive industry many of these firms see Egypt as relatively low on their list for capital allocation. Egypt's mature oil sector is in decline, with production dropping to its lowest level since the 1970s last year, while high natural decline rates at offshore fields caused gas output to drop to an eight-year low. Although recent discoveries may yield gas output gains in the medium-term, any recovery would likely be temporary and a return to net LNG exports could prove out of reach.

Reduced gas output means LNG exports have ground to a halt, with Egypt now forced to again import cargoes at great expense to provide feedstock to power plants. Investments in solar and wind therefore hold out the potential to reduce LNG import requirements, offering a potentially attractive area for future investment. Egypt currently has 4.44 GW of wind and solar capacity and firms such as Saudi Arabia's Acwa Power are investing in new capacity under build, own, operate models.

Morocco eyes ambitious renewable exports

Elsewhere in North Africa, Morocco is dependent on small firms to develop its oil and gas fields, which currently fall well short of being able to meet domestic demand. The country is moving towards LNG imports, having started importing regassified LNG from Spain in 2022. Rabat is targeting private sector investment for a series of gas infrastructure

Jamie Ingram

Jamie Ingram is Managing Editor at Middle East Economic Survey (MEES), having taken on the role in May 2025 after a decade leading the publication's analysis on energy and political developments in the Gulf. He has a particular focus on how the Gulf states are navigating the energy transition through balancing their core oil and gas activities with the need to accelerate economic diversification.

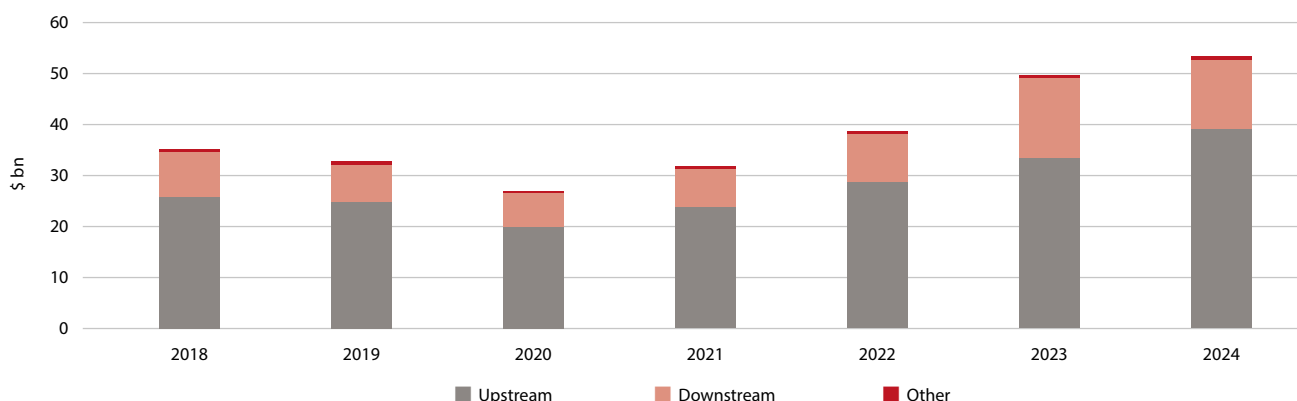


projects, including LNG import terminals and in March Energy Minister Leila Benali announced that tenders worth \$6 bn would soon be issued.

While capital for Moroccan LNG-focused projects is expected to become more readily available in the coming months, another major renewable energy project in the country may be a casualty of the slowing transition. UK-based start-up Xlinks, plans a \$30 bn project to supply the UK with 3.6 GW of green power from southern Morocco, through a 3,800 km electricity interconnection. But the project is dependent on the UK government guaranteeing a power price well in excess of current UK wholesale prices, raising questions over its prospects now that green investments have fallen further down London's list of priorities.

As al-Ghais says, the energy transition is likely to become more nuanced, with future energy pathways contingent on the distinct circumstances faced by individual countries. For the UAE and Saudi Arabia, renewables present an opportunity to further monetise hydrocarbon resources which will still be in demand for decades to come. The same is true for other oil and gas producers such as Iraq, but they face more challenges in procuring finance due to less attractive investment frameworks. Those countries most exposed to the slowing appetite for low carbon investments are those without the Gulf's large natural resource base which have been directly exporting green fuels or electricity to OECD markets where energy security and affordability is rising up the political agenda. ■

Saudi Aramco's core upstream sector drove total investments to record highs in 2024 (\$ bn)



Source: Saudi Aramco, Arab Banker

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Banking on belief: the way ahead for Islamic finance

Islamic finance is one of the fastest growing financial services in the world, expected to be worth \$4 tn in 2030. Why hasn't the UK been more successful in securing a share of this burgeoning market? *Arab Banker's* editor, Tabitha Morgan-Butt, takes a look at what needs to change in order for UK Islamic finance to fulfil its potential.

The UK's, Islamic finance sector is estimated to be worth around \$7.5 bn and is projected to grow to approximately \$9 bn by 2030, driven predominantly by the expansion of the commercial sector.

The country was an early adopter of shariah-compliant finance (Al Baraka Bank opened a branch in the UK in 1982) and as a result, globally, most sukuk are today, governed by English law. Meanwhile, the London Stock Exchange is the third largest listing venue for US dollar sukuk worldwide, holding 35% of global share and the country boasts five fully shariah-compliant banks which all provide Islamic finance products.

In 2013, the then Prime Minister, David Cameron, called for 'London to be a great capital of Islamic finance in the world', and there have been two successful sovereign sukuk issues in 2014 and 2021. Yet despite broadly supportive regulations, Islamic banks held only 0.1% of UK banking system assets at end 2023 and most in the industry would agree that the UK's Islamic finance sector has yet to realise its full potential.

So, what is it that is holding the sector back?

For Professor Hussein Abdou, Chair of Finance and Banking at Northumbria University, the necessary scaffolding is just not in place to enable the sector to fulfil its potential. 'London has tried to position itself as a global Islamic financing hub,' he told *Arab Banker*, 'but it doesn't work because the regulatory and legal framework is just not there to make the sector robust enough.'

As a result, Professor Abdou argues, Islamic financing is all too often 'shoehorned' into existing regulatory structures – particularly around capital adequacy and structuring – as they are enforced across the board. He believes there should be tailored regulations specifically for Islamic finance. 'We need to have a central Shariah Advisory Council in the UK, like in other countries, certainly in the Middle East,' he says, adding, 'that would then be reflected in the ecosystem supporting the sector.'

Without a central advisory council, he believes that shariah-compliant services operating within conventional banks 'under the umbrella of an interest-based system' will always face conflicts of interest over questions of governance and autonomy that will hold them back.

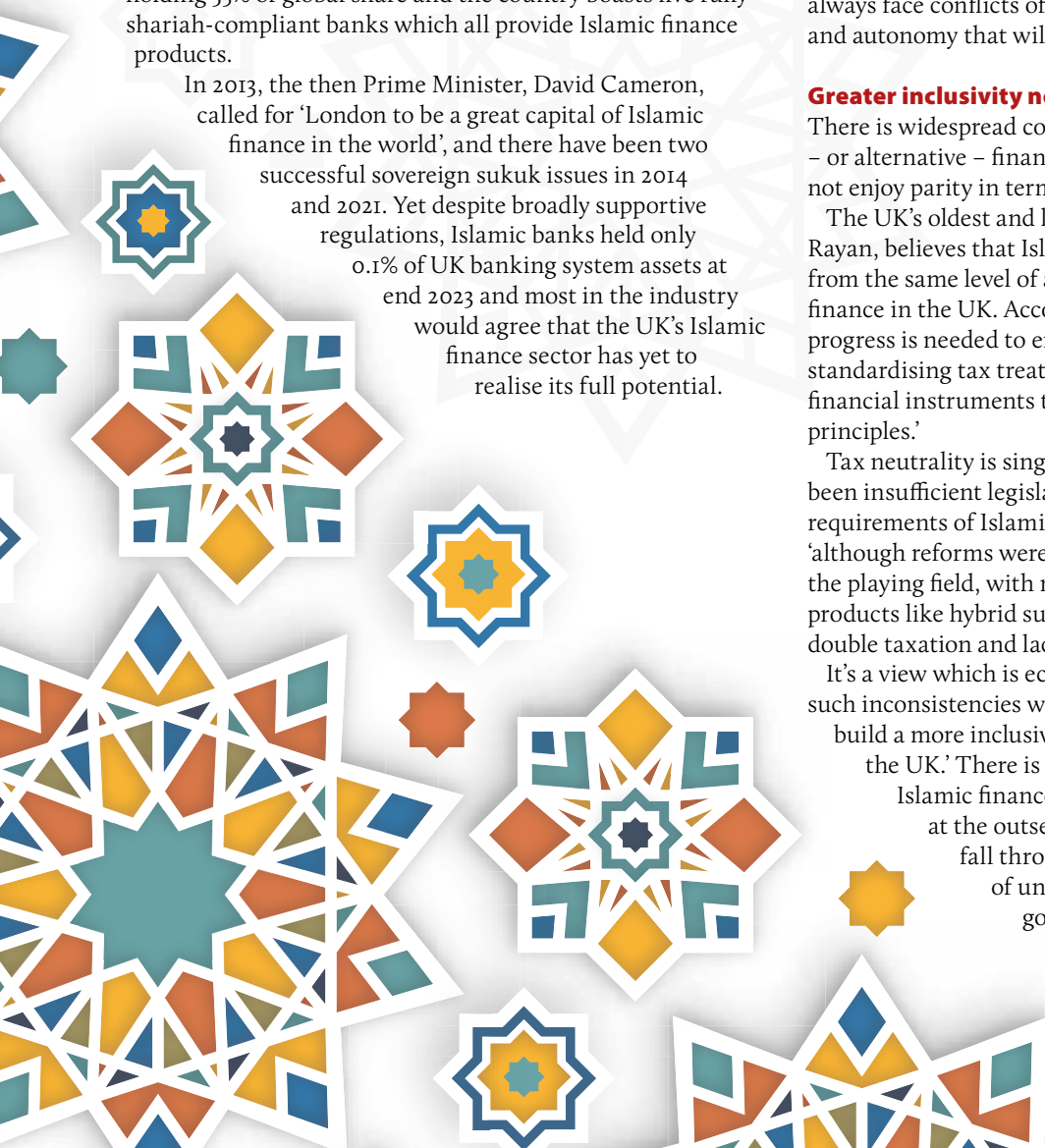
Greater inclusivity needed

There is widespread consensus across the sector that Islamic – or alternative – finance as it is increasingly known, does not enjoy parity in terms of regulatory treatment.

The UK's oldest and largest shariah-compliant bank, Al Rayan, believes that Islamic finance still does not benefit from the same level of access or recognition as conventional finance in the UK. According to the bank's spokesperson, progress is needed to ensure 'parity in regulatory treatment, standardising tax treatments and improving access to financial instruments that are compatible with sharia principles.'

Tax neutrality is singled out as an area where there has been insufficient legislative attention paid to the specific requirements of Islamic finance. For Professor Abdou, 'although reforms were made to stamp duty and VAT to level the playing field, with murabaha and ijarah, and evolving products like hybrid sukuk, there is still ambiguity around double taxation and lack of clarity under the UK tax law.'

It's a view which is echoed by Al Rayan Bank. Tackling such inconsistencies would, said a bank spokesperson 'help build a more inclusive and resilient financial landscape in the UK.' There is certainly a feeling in the sector that Islamic finance is not sufficiently taken into account at the outset of legislative development and can fall through the cracks as a result, the victim of unintended consequences. Greater government engagement with the sector during the policy-making process, would according to Al Rayan, 'help ensure that legislation reflects



the diversity of financial models operating in the UK.'

Ethical finance provider, Gatehouse Bank, which positions itself as a provider of alternative finance to both the Islamic and the non-Islamic community in the UK, recently issued a report calling for greater government inclusivity to ensure alternative financial structures are sufficiently considered when proposing legislation. This would prevent the baking-in of inconsistencies which place Islamic finance at a commercial disadvantage. Anomalies such as the requirement to involve two solicitors when taking out a shariah-compliant mortgage as opposed to just one for a conventional mortgage, could be anticipated at policy-drafting stage.

In practice, however this may prove challenging. The 'ad hoc' approach of the UK, which is also mirrored by the US, Canada, Australia and the EU, is underpinned by the essential principle that faith-informed decisions should remain a private matter, beyond the scope of government regulation. If there is a lack of coordinated control in the approach to Islamic finance amongst Western economies, it arises, not from negligence, but from the fundamental separation of faith and state that underpins religious pluralism.

Liquidity management

Policy issues aside, the sector faces a number of immediate, practical challenges to its expansion. There is for example, a lack of sharia-compliant liquidity management tools, with no Islamic interbank market or active sukuk secondary market to manage surplus cash or match liquidity needs. The Bank of England's Alternative Liquidity Facility (ALF) established in 2021, which enables UK-based Islamic banks to deposit funds in shariah-compliant sukuks, is capped at a relatively meagre £200 mn, an amount that is shared between all 20 Islamic finance institutions. Conventional banks by contrast have no such limit. Fuad Shakshir, Chief Commercial Officer of Qatar Islamic Bank, which offers alternative services to overseas clients, believes it is time the cap was reviewed to reflect growth in the market: 'it should definitely be expanded. There are more Islamic finance institutions than when the ALF was first established and institutions who didn't imagine they were going to use it when it started, are using it now.'

It is a view shared by Al Rayan, whose spokesperson expressed the hope that any move to raise the cap would not just resolve liquidity management issues, but would also signify 'a broader commitment to ensuring equitable access to financial infrastructure, supporting the continued development of Islamic finance in the UK.'

The majority of UK banks offering Islamic finance work with international clients and cater to overseas markets. Provision for the domestic market remains relatively undeveloped by contrast. There is little available in terms of SME finance, wealth management or Islamic pension options and insurance and the product offering is focused mainly around real estate and home financing. Here,

demand remains relatively low relative to the size of the UK Muslim population, largely because the terms being offered are uncompetitive.

According to Keith Leach, Head of Real Estate Finance at Bank ABC, provision of alternative finance to the UK Muslim community remains frustratingly limited.

'There are over 3 million Muslims in the UK, a lot of whom would probably prefer to take Islamic finance if they felt that they weren't going to be economically disadvantaged. I don't think [the product] would necessarily have to be cheaper, just not worse.'

While some of the emerging Islamic digital banks and fintechs may be well placed to occupy part of this space, there are nonetheless serious challenges involved in obtaining the necessary capitalisation to obtain a full banking licence and deliver Islamic mortgage products at scale to the UK market. So, until a more sympathetic regulatory climate exists to make home financing more competitive, what are the prospects for the sector to expand and develop in the UK?

Professor Abdou remains optimistic. The sector is about to be transformed he maintains by the introduction of AI. He singles out the process of sharia-compliance monitoring and what he calls 'automated fatwa validation' otherwise known as online dispute resolution. 'Instead of having judges sitting in court reading piles and piles of files and emails, why not automate?' he asks, before going on to describe a revolutionary sounding synthesis of faith with cutting-edge technology. 'Automated fatwa validation could use an AI-driven approach to sharia compliance. This would involve blockchain-based smart sukuk, for example, things like advisory for halal wealth management. It's going to be the way ahead.'

Islamic banking in the UK may still not have realised its full potential, but its future may yet surprise us all. ■

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Empowering women in Kuwait: NBK RISE

Statistics for women in executive positions in banking are poor. Globally, they occupy just 18.4 % of C-suite roles, a figure which falls to 6.8%–10% across the MENA region. Recently, National Bank of Kuwait has emerged as a pioneering force advocating for gender parity within financial institutions in the Gulf. *Arab Banker* has been finding out more.

National Bank of Kuwait (NBK) is tackling the under-representation of women in executive roles head on, through its groundbreaking women's empowerment initiative, RISE. The programme reflects the bank's wholehearted commitment to diversity and inclusion, but NBK and even Kuwait itself are already ahead of the regional curve in this regard. A healthy 49% of the bank's employees are women, while Kuwait is unique among GCC nations in having a Gender Engagement Framework written into its agreement with the World Bank, which stipulates that all advisory services provided by the bank in Kuwait should be viewed through the lens of gender.

Against this background, NBK RISE was established to equip women for leadership roles through a structured, nine-month modular programme that delivers tangible results. Individual modules focus on: confidence-building, the development of strategic initiatives, transformational leadership, and effective decision-making. Participants also benefit from mentorship and coaching by senior executives and global industry leaders and engage in collaborative projects that translate ideas into meaningful outcomes. The programme has been devised and implemented in collaboration with two internationally renowned institutions: Spain's IE Business School and leading French graduate business school INSEAD.

Now in its second full year, NBK RISE has welcomed two cohorts of high-potential women, starting with 20 participants in its first year and expanding to 25 in the current group. Women come from varied educational and professional backgrounds, typically with several years of experience and a demonstrable capacity for strategic thinking. While each candidate's journey is unique, the common thread uniting them is potential – and the motivation to translate it into impact. Applicants are nominated by their managers on the basis of performance and nascent leadership qualities.

Crucially, graduates from each cohort are expected to go on to mentor future participants in the programme, creating a sustainable network of mutually supportive women leaders across a range of sectors. A recent McKinsey report on job opportunities for women in the Middle East, found that 71% of women in management roles in the region had encountered no positive female role models during the course of their careers. The hope is therefore, that as NBK RISE graduates move into senior management positions across the sector they will go on to incentivise future generations of women coming into the industry to aim for the top.

Perhaps most significantly, women have not just been recruited from NBK's own domestic and international operations, but they have also come from partner organisations across the country which have committed to NBK's regional pledge for gender empowerment. Unlike many corporate initiatives, this is not a closed-loop system designed solely to promote internal talent, but one that extends to women from across a range of industries and sectors. Signatories of the NBK Women's Empowerment Pledge include: multinational retail franchise operator, Alshaya Group, Commercial Bank of Kuwait, Burgan Bank, petrochemicals firm EQUATE, and digital services provider STC Telecom. Recruiting women from a wide range of backgrounds has enabled the course creators to establish an unusually diverse and productive learning environment, where professional experiences can be both taught and lived.

It is this determination to extend the programme beyond the corporate confines of the bank itself that marks NBK RISE out as a genuinely socially transformative initiative.

By taking this collaborative, inclusive approach to participation in its leadership programme, the bank is sending a clear message that facilitating women's empowerment must be a shared social





responsibility, one that extends beyond corporate identity. Its goal is an ambitious one, to redefine leadership models across the Middle East, making them more inclusive, competitive, and resilient and it sets NBK RISE apart from other similar leadership initiatives.

This is not a separate corporate social responsibility project, but one that is woven into the fabric of the group's 2023 ESG strategy, designed to harmonise with recognised frameworks such as the United Nations Sustainable Development Goals (SDGs). The strategy has been structured around four key pillars: governance for resilience, responsible banking, capitalising on capabilities, and investing in communities. NBK RISE forms part of the capitalising on capabilities pillar, strengthening the human capital of the bank through diversity, equality, and inclusion initiatives. In doing so, it aligns with two of the United Nations' sustainable development goals: SDG 5, the achievement of gender equality and the empowerment of women and girls, and SDG 10, the reduction of inequality within and among countries. As a result, NBK has become one of the few institutions in the region to take a truly integrated approach to ESG and leadership transformation, reflecting the broader economic reality that organisations which embrace diversity and foster inclusion are more likely to enjoy sustainable commercial success.

NBK's investment in women's leadership can definitely therefore be seen as an investment in the bank's resilience, its competitiveness, and its future. But the programme is not simply about preparing individuals for success either within the bank itself, or those organisations that elected to participate in it. NBK RISE is about nurturing a generation of female leaders equipped to drive innovation, advance sustainable development, and lead resilient organisations in a rapidly changing world.

Diversity as a business imperative

Research has consistently shown that companies with diverse leadership teams outperform their less-diverse peers across almost every key metric, from profitability and innovation to employee satisfaction and brand reputation. NBK has taken these lessons seriously, embedding them into the way it plans for the future, today its leadership is more reflective of the diversity of the societies it serves, enabling the bank to better understand customers, manage risks and drive innovation.

The driving force behind NBK RISE was the bank's Deputy Group CEO, Shaikha Al-Bahar, a pioneering figure in the

Middle East's financial sector and recipient of the ABA's Award for Distinguished Services to Arab Banking in 2022. Achieving greater gender equality has been a priority for Ms Al-Bahar, for many years. In an interview with *Arab Banker* in 2022, the Deputy Group CEO spoke of her pride that not only did NBK provide equal opportunities for all its employees 'with the aim to motivate them to innovate' but that there was no gender pay gap at the bank between male and female employees. Today, Al-Bahar stresses that investing in women's leadership is not just a moral imperative, but also provides the company with a critical competitive advantage. It's something she feels the sector has been too slow to comprehend, 'the finance sector is beginning to understand that diversity isn't just a nice-to-have,' she said recently, 'it's a business imperative.' Under her leadership, gender equality has been placed centre stage as a key pillar of NBK's business growth and sustainability ambitions, something that she believes 'isn't just about fairness – it's about fueling innovation, driving growth, and shaping a stronger future for our economy.'

Shaikha Al-Bahar's sheer determination, along with her emphasis on accountability, measurable outcomes and alignment with international norms has made NBK RISE a model for other Middle Eastern institutions seeking to drive meaningful change.

And there has been no shortage of international recognition for NBK's bold strategy of integrating diversity and inclusion into its business model. In 2024, the RISE programme achieved a special acknowledgement for its work developing women leaders from international leadership and HR initiative, MERIT. It subsequently received a Bronze Award for Excellence in Diversity and Inclusion from the Middle East chapter of The Society for Human Resource Management, while the programme also contributed to NBK's recognition by business intelligence company Euromoney, as the Best Bank for Diversity and Inclusion in Kuwait.

Looking ahead, NBK RISE is poised to expand further. Alongside its training and development programmes, it plans to launch entrepreneurship incubators for women leaders, providing tailored support to turn ideas into successful, sustainable businesses. This will be enhanced through mentoring and networking forums, offering direct access to women leaders and global innovators. The next generation of Kuwait's female leaders is already waiting in the wings.

For more information, please visit nbk.com/sustainability/nbk-rise.html or contact the team at RISE@nbk.com. ■

Receiving the business: the challenges facing central London investors

Prime real estate in Central London – one of the most desirable locations in the world – has always been a magnet for the affluent, high-net-worth investor. This is not a client base you might expect to have trouble with mortgage repayments. But chartered surveyors and property and fixed charge receivers, Bellevue Mortgages (BM), have found their caseload steadily increasing over the past year. *Arab Banker* spoke to Matthew Perrett, LPA Receiver at the company, to find out why.

ARAB BANKER: BM has been operating in prime central London real estate for over 25 years. How has receivership activity changed?

MATTHEW PERRETT: I'd say that a lot of people are encountering difficulties in manoeuvring funds around freely between countries at the moment, because of the anti-money laundering (AML) regulations to which solicitors are obliged to adhere. It's quite a challenge and it can make

redemption proposals more difficult and time consuming. This, in addition to arrears, is often where we are asked to step in.

There's been a general uptick across the board in terms of receivership appointments. Whilst we're a relatively small business within our niche market of prime central London's high value residential and commercial assets, we've seen an increase in instructions to act.

At the same time, there's been an increase in the number of lenders interested in ensuring that they have a receivership solution in place, regardless of whether they're ready to issue appointments. This pre-emptive contact is the right thing to do. You shouldn't wait until you're in need, because you may find that it takes you a number of weeks to engage your receiver. Time is of the essence in matters of recovery.

Are most of these restrictions on movement of cash government imposed? Are there jurisdictions to avoid from a lender's perspective?

Each country will have their own restrictions, sometimes including a limit on the total funds to be transferred out of the country per annum. Pakistan, Bangladesh and China all have quite stringent requirements around the amount of money you can move each year. A lot of funds come from Dubai and while there are less restrictions there, money can still take a significant amount of time to move because of all the AML checks required. This can lead to issues around redemption if an account is already in default. Taken together, limitations on the total transferable amount and the applicable timeframes, can create an uncertain recovery picture for lenders with defaulting accounts.

Even so, isn't prime central London the last area where you would expect this sort of issue?

That's true in some respects. But considering a larger proportion of borrowers with assets in this particular part of London come from elsewhere in the world,



they will be affected by restrictions placed on moving money around. So the proportion of borrowers with these vulnerabilities is slightly greater. They will also have to jump through more hoops for refinance purposes.

Another factor is the value of prime central London assets. Whilst many lenders will seek protection via low loan-to-value ratios, any reduction in asset value, combined with increased balances from default rates can create an uncertain picture in respect of overall recovery.

Can you describe the sort of borrower you are talking about and the difficulties they might face?

Most people with these assets have some liquidity somewhere, it's often just a question of timing, availability and the desire to bring about a resolution. If they've reached the point of default due to ongoing payment difficulties, or the term of the loan has expired, default interest can increase substantially overnight, impacting costs and affordability. We've come across numerous examples recently where delays in the transfer of funds from other countries as a result of more stringent money laundering checks have resulted in difficulties in redemption that the lenders have been unwilling to accept. We've been appointed to situations like this in Fulham, Chelsea, Marylebone and Mayfair. Thankfully we were able to achieve a 100% recovery in all those cases, often within 4–5 weeks of appointment.

A borrower could have purchased an asset to refurbish and subsequently found that a rapid increase in costs has rendered the project unviable. It might be a situation where tenants are not paying, and the owners can't get possession. Sometimes it's a simple case of bad management and lack of attention, particularly if overseas borrowers have large, diverse portfolios and they've delegated their management to a local representative who isn't quite up to the job. But it's still the borrower who is liable, even when they are not directly the cause. Not all defaulting borrowers are bad people with ill intentions.

Why would lenders look to appoint receivers in these instances?

For independent, professional advice and assistance in managing security in default. Lenders don't want to be taking possession proceedings. Receivership is a way of banks enforcing their security on non-paying loans without taking repossession action. Receivers can collect any rental income due and apply this towards costs or reducing the outstanding debt.

Typically, we act as an agent for the borrower rather than the bank, which means we have a duty of care to that borrower, as well as to all other creditors, including the appointing lender. As a valuation firm we have a clear understanding of what the achievable value is, so we can forewarn the lender if there is going to be any shortfall and assist in any subsequent shortfall action.

Is there a big variation in how lenders tackle these problems?

Each lender will have their own position and criteria as to what level of forbearance they will want to give their customers and the enforcement actions they may subsequently take.

Matthew Perrett

Matthew has over 15 years of experience in the receivership market having worked with most high street lenders, assisting in developing their strategies and procedures for maximum recovery. He joined Belleveue Mortgages as Head of Recoveries/LPA Receiver in July 2024.

Major high street banks and building societies tend to be fairly rigid because they can't be seen to treat one person differently to another. They will have a set protocol, so once a loan hits for example, two months mortgage arrears, they will take a fixed, pre-determined, course of action. Bridging lenders tend to be a lot more assertive, because for them, time delays and accrual of default interest could be the difference between a profit or a shortfall.

Some lenders who have a lower loan to value, may give greater levels of forbearance because they believe they have greater levels of coverage. And of course, private equity banks usually give larger amounts of leeway because so many of their customers tend to be higher net worth individuals.

Our typical advice is not to risk prejudicing your position by over-forbearing and to effect a recovery strategy suitable to the specifics of the individual matter. We're always happy to provide pro gratis advice for any clients considering enforcement action.

What proportion of loans do you fully recover?

It varies between types of loans and assets. Development loans and part-built developments are quite difficult at present because costs of both materials and lending have gone up. But even allowing for that, we tend to secure full recovery around 70%–80% of the time. Of course, the lower the loan to value, the greater the chance you get full recovery.

How do you see the picture changing over the next few years?

It's likely that we will see continuing uncertainty within the global economy contributing to a corresponding uncertainty within the property market. This, coupled with ever-increasing regulatory demands upon landlords along with the tightening AML measures, could make for a difficult time. It's probable that we will see receivership solutions being utilised more widely as part of lenders' recovery efforts and playing a more prominent role in the market. ■

A growth generation: the economic potential of the Middle East's youth

The Middle East has a young and rapidly growing population, one which could generate significant economic advantages for the region – but only if governments respond creatively to the opportunities they bring. HSBC's Raj Sinha, Global Co-Head of Equity Research, has been reflecting on whether the Arab world can succeed in making the most of its demographic dividend.

The phrase 'demography is destiny' is often used by economists. Assumptions about life expectancy, fertility rates and migration can have a material impact on projections for economic growth. Places fortunate enough to be home to young and growing populations can typically expect a boost to economic activity over time, provided the right policies are in place, while ageing and shrinking nations, all other factors being equal, are likely to see a relative decline.

Historically, the Middle East, North Africa and Turkey (MENAT) has seen its total population increase six-fold

since the 1950s, from just under 100 million in 1950 to 655 million now, and despite falling birth rates, it continues to grow rapidly. By the end of the current century, the region's population is on course, according to the UN, to exceed one billion, and to be bigger than that of Europe or mainland China.

It is worth noting that these overall figures contain significant regional variations and that many countries have seen a substantial decline in fertility rates – generally attributed to social, economic, and cultural factors, in particular, better access to education for women. While this

transition from high birth and death rates to low ones started relatively late, it is also happening considerably faster than elsewhere. So while birth rates in countries like Egypt remain elevated, GCC countries like the UAE have seen a rapid decline. Perhaps unsurprisingly, the government has responded by rolling out a national strategy to double the country's population by 2040, relaxing visa requirements in an effort to attract foreign nationals. As a result, population numbers in the emirates are still rising, despite the fertility rate being well below the replacement level of 2.1.

Analysis of demographic trends within the Gulf as a whole, is further complicated by the role that large expatriate populations play in overall economic activity. The GCC is home to 30 million foreign nationals, who make up more than half the population. In Saudi Arabia and Oman expatriates constitute 40% of the population, while in Qatar this rises to as much as 90%.

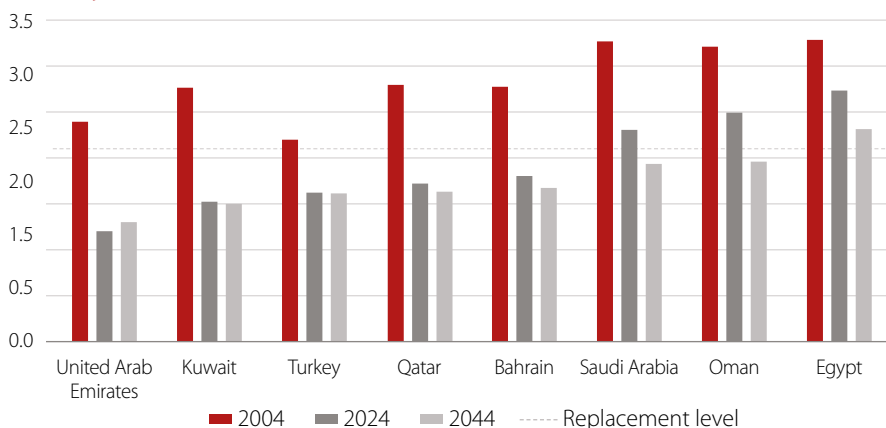
However, despite these localised differences, what is significant from an economic perspective is the fact that in MENAT societies 45% of people are under the age of 25 and that the labour force (people aged 15–64) is growing faster than the population dependent on it.

Business implications

If effectively managed, this demographic advantage can fuel the economic growth rate of the region. But it is an opportunity that brings its own challenges – demanding investment in education, infrastructure, and job creation, all of which have implications for businesses



Fertility Rate %



and investment managers.

There are of course significant variations in the ways different economies across the region handle the consequences of demographic transitions. Different states are at different stages, and some enjoy greater access to resources to invest for the long term – most notably, of course, the oil receipts of the GCC economies.

Within the GCC, lower birth rates together with urbanisation mean that households are getting smaller. A young, small household that is earning more and spending more time on the internet will stimulate the development of a more sophisticated e-commerce sector, along with the concomitant support structures that go with this, including online portals, banks, payment gateways, logistics and warehouses. According to regional business and financial news platform, Zawya, e-commerce in the Gulf is expected to expand by nearly 11% between 2023 and 2027, with digital tools and AI-driven product suggestions becoming important drivers of consumption.

Paradoxically, the region is also likely to see a rapid rise in the demand for healthcare as the 45% of the population under 25 start to reach their forties – the point when age-related health issues begin to appear. This is likely to be particularly true of Egypt and Turkey in the next few decades which may see a corresponding expansion of the healthcare market.

As far as the Gulf states are concerned, their ability to leverage the opportunities created by their expanding youthful demographic is likely to be determined by the success of their national diversification plans. Development of the digital economy and the growth of smart cities

employing innovative technologies and efficient designs are likely to be critical in this respect.

Smart city investments

The development of smart cities is a key part of national development strategies across all member states in the region, as governments attempt to future-proof their economies and create jobs for the next generation by integrating de-carbonisation efforts with cutting-edge technologies. As a result, rates of urbanisation in the GCC are amongst the highest in the world.

While some GCC member states are more advanced than others in the delivery of their visions, all of them have based their economic development strategies on the pressing need to diversify away from dependence on oil revenues and are utilising their sovereign wealth funds together with substantial foreign backing in order to deliver.

Abu Dhabi and Dubai have made remarkable progress in their journeys to becoming some of the world's most modern, smart cities and this transformation has unlocked new opportunities in real estate, expat inflows, and tourism.

But it is Saudi Arabia that is really pushing the boundaries on futuristic city development with its portfolio of giga projects including the pioneering carbon-neutral city of Neom. Backed by the kingdom's Public Investment Fund, these innovative urban developments all form part of its ambitious Vision 2030 project.

So, what roles will there be for young Saudis and Emiratis in these cities of the future and how can their economic potential be harnessed?

Nationalisation policies aimed at hiring more locals in the private sector,

especially in skilled positions, are now widely adopted across the Kingdom of Saudi Arabia, the UAE and Kuwait. These are likely to have a significant impact and should improve the wages for local nationals. Saudi Arabia's Nitaqat programme, for instance, mandates private companies to comply with set quotas when hiring Saudi employees.

Investment in education is the other side of the coin, and a vital complement to these policies. Saudi Arabia has the largest school-age population in the region, more than double the rest of the Gulf combined. It was no surprise then, to see education included in the objectives of Vision 2030, which aims to increase the percentage of students studying in private sector schools to 25% by 2030 (from 16.5% in 2024). These aspirations have been backed up by the allocation of significant resources from the national budget – more than \$50 bn in each of 2023 and 2024, reflecting a longstanding commitment to align education with market needs, enhance teacher-training, and expand vocational opportunities.

The demographic dividend

Appreciating the nuances of the Middle East's ongoing demographic transition will be key to understanding its long-term growth trajectory. Change can bring challenges, but it has already prompted ambitious and far-thinking policies, including efforts to spur economic diversification and lay the foundation of a new generation of smart cities. These moves are set to create new opportunities for business and support future jobs. Demography alone is not destiny – but actions such as these are reasons to be hopeful that the Middle East can make the most of its demographic dividend. ■

Raj Sinha

Raj Sinha was previously head of HSBC's top-ranked Emerging EMEA Equity research team. He has almost two decades of experience as a highly rated analyst in both developed and emerging markets, and continues to cover emerging EMEA healthcare and Saudi consumer stocks.





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From sovereign strategy to private opportunity: AI in the Gulf

Gulf governments are pouring billions into AI infrastructure, as part of a bold strategy that will pave the way both for a lucrative second wave of AI investment and for geopolitical dominance of the technology that will shape all our futures. Carla Sertin, Dubai-based tech correspondent and former senior editor of *WIRED Middle East*, has been analysing what this will mean for the region.

As governments across the Gulf seek not just to adopt AI, but to shape its future, investment in the sector is becoming a cornerstone of national strategies, and a long-term bet for economic diversification. Nowhere is this more visible than in the UAE and Saudi Arabia, where AI has moved beyond productivity gains to become a tool for power projection and where, according to Javier Alvarez of management consultants FTI Delta, governments are

making 'bold moves to secure their place as AI leading hubs ... accelerate their technological transformation and diversify away from hydrocarbon dependencies.'

From the UAE's Advanced Technology Research Council to Saudi Arabia's massive commitments via its Public Investment Fund (PIF), the region's sovereign wealth is being mobilised in a strategy designed to secure digital sovereignty. This involves the parallel development of sovereign cloud infrastructure (the cloud systems hosted within a country's borders that enable governments to store sensitive data securely). It also involves the development of what is known as 'compute infrastructure' the hardware and heavy-duty machinery required to operate 24/7 to train AI systems, process information and generate content.

The energy demands alone of AI development at scale are massive, requiring immense compute power and access to secure data storage. Some estimates suggest that by 2030, as much as 3%–4% of global electricity could be expended on processing, storing, and transmitting the vast amounts of data needed for AI applications.



According to Alvarez, 'building AI-ready environments, like data centres with advanced cooling systems and AI factories, requires a scale of funding that private investors generally cannot shoulder.' However, he believes that the Gulf has a significant advantage in the sector because of 'its ability to mitigate this uncertainty by establishing a foundational infrastructure that other regions struggle to match, making it an attractive hub for future AI-driven business models, private sector enablement, a magnet for best international talent and a call for local innovation.'

Gulf governments then, are doing the heavy lifting, subsidising upfront costs including the development of energy infrastructure, compute power, the attraction of talent and regulatory coordination, in order to create a viable route for private investors to enter the market at the application layer, or through partnerships with AI-native infrastructure firms.

This has certainly been the case in Abu Dhabi, where the UAE's \$276 bn Sovereign Wealth Fund subsidiary, Mubadala, has teamed up with Emirati AI development company G42, to form MGX Fund Management Limited. It aims to channel up to \$100 bn into identifying, funding and scaling AI initiatives regionally and globally. Finance has been allocated for domestic data centre development, advanced chip design (crucial for improving the efficiency and performance of AI models) and foundational model training.

In 2024, Mubadala deployed \$29.2 bn (a 67% increase from the previous year) to support in-country technology platforms and the development of AI compute infrastructure. Crucially, for investors, this means that the physical and digital groundwork is already being laid, offering a path to plug in via co-investment, infrastructure partnerships, or downstream applications.

Meanwhile, state-owned Abu Dhabi Developmental Holding Company has committed \$5 bn of a planned \$25 bn investment in power generation for AI-ready data centres, expanding electricity infrastructure both in the UAE and in select international markets. It is also backing the development of 'green compute' – AI systems powered by renewables.

Elsewhere in the region, Saudi Arabia's PIF is backing the development of high-capacity data centres, to support the creation of an AI supercomputing hub, a facility equipped with immense compute power to train and run large-scale AI models. At the same time, the Saudi Data and Artificial Intelligence Authority has been investing in the



semiconductor supply chain through joint ventures with US and Asian manufacturers in an effort to secure access to the chips and components that power the AI ecosystem, ultimately reducing the Kingdom's reliance on external providers.

The country is investing heavily in Arabic large language models, with King Abdullah University of Science and Technology (KAUST) leading efforts in generative AI for Arabic natural language processing, an underserved space for investors looking at linguistic and regional diversification.

There have also been significant injections of finance into the development of edge computing nodes, which bring processing closer to the sources of data generation like cameras or sensors, to allow real-time responses. These are critical to the efficiency of real-time applications such as utility management and self-driving vehicles, which require rapid data processing.

As with the UAE, these initiatives are all geared towards generating opportunities in AI hardware production, workforce development, and manufacturing; sectors with historically high upfront costs that are now being made more attractive to private investment through state funding and industrial policy.

Elsewhere in the Gulf, the Qatar Investment Authority is also increasing its exposure to AI. It has partnered with Google Cloud to establish advanced computing capabilities in the country and is exploring joint ventures in healthtech and fintech, two of the most active sectors for AI integration and two of the easiest for private capital to access through venture capital funds or direct equity stakes.

Geopolitical tightropes

This ambitious programme of infrastructure development projects is not just designed to meet surging domestic demand, it is also part of a broader strategy to position the GCC as a net exporter of AI services, compute power, and intellectual property. GCC countries are already expanding their AI footprint across other emerging markets. In March 2024, Microsoft and Abu Dhabi-based G42, committed \$1 bn to building a data centre in Kenya. The UAE and France had previously announced a \$1.1 bn initiative to create a gigafactory for the production of AI chips – and an AI campus, for research, training, and innovation in artificial intelligence. Meanwhile, Saudi Arabia is setting up a \$100 bn AI fund backed by its PIF.

Yet as Gulf states advance their AI agendas, they are inevitably being required to navigate a delicate geopolitical balance. G42 initially had deep partnerships with Chinese firms Huawei and The Beijing Genomics Institute, relationships which aligned with China's Belt and Road



tech ambitions. But in 2024, under growing pressure from the United States, it severed ties with Chinese hardware providers and signed a multibillion-dollar deal with Microsoft. This pivot came in response to concerns from US legislators about potential data sharing between G42 and Chinese entities, and the risk that advanced semiconductor technology could be for use in training AI models that could serve Chinese strategic interests.

The UAE is not alone in this respect. Saudi Arabia has also been obliged to manage diplomatic sensitivities. It has already made selective concessions on procurement and data localisation as it seeks to keep its partnerships with US tech firms such as Meta and Oracle viable, while at the same time actively maintaining relationships with Chinese AI developers and telecom infrastructure providers. Qatar, meanwhile, continues to work with Google Cloud and American venture capital firms, even as it deepens investment ties with China through sovereign wealth funds and infrastructure co-financing.

Gulf countries are attempting therefore to pursue a nuanced multi-aligned strategy as they attempt to maximise their access to capital, talent, and platforms from across the globe. It's a tightrope walk that involves building sovereign cloud infrastructures that operate within their own national jurisdictions, while simultaneously being supported by American technology platforms and also licensing 5G equipment from Chinese vendors.

Risk of an AI bubble

With valuations soaring and capital flooding in, are there parallels between the current AI moment and the dot-com bubble of the late 1990s? Even market leaders like OpenAI are currently generating substantial losses, while others, such as chip-making giant NVIDIA – one of the biggest beneficiaries of the 2023 AI rally – have seen their profit margins shrinking. Despite the hype, the pace of adoption across the Gulf remains uneven, with AI deployment gaining traction fastest in data-rich sectors like finance, telecoms, and logistics, with early adoption most visible in public services, smart-city initiatives, and digital identity systems.

But there is generally a time lag between innovation and economic impact, and as Siddhart Yadav, technology fellow at the Observer Research Foundation Middle East, points out, 'although the rate of AI adoption may not be meaningfully adding to wider economic growth yet, it should be remembered that ChatGPT was released [only] just over two years ago.'

A September 2024 Goldman Sachs article also takes the long view, highlighting that while some AI stocks may be overvalued, the real financial beneficiaries of the AI



revolution may not be the companies building the models themselves, but rather the ones that can effectively integrate and deploy these tools to improve their own productivity and operations. Enterprise software firms, in particular, are already using AI to optimise workflows and reduce costs. At the same time, the wider strategic gains of investing in AI infrastructure – such as geopolitical influence and control over the future architecture of global computing – are increasingly viewed as valuable outcomes in their own right, even if they are harder to quantify.

According to market researchers McKinsey, 57% of companies in the Middle East invested 5% or more of their digital budgets on generative AI, compared to just 33% globally. Adoption in the GCC, they found, was closely tied to government funding and digital transformation mandates, factors which may further serve to cushion the region from the risk of future tech busts.

The wave of AI investment sweeping the Gulf is notable not just because of the sheer volume of capital, but because of who is deploying it and why, as sovereign wealth funds absorb initial costs, creating a pathway for private investors to join the sector. This state-led mobilisation of resources is also redefining international relations, as access to AI infrastructure becomes a lever of influence. While some caution that the sector could be heading into a speculative bubble, comparisons to the dot-com era don't entirely hold. The fundamentals are different, the strategies are more grounded, and the ambitions stretch far beyond financial return, toward technological sovereignty and geopolitical relevance.

As the hype cycle cools, a new investment philosophy is taking root: long-termism. Gulf countries, recognising that short-term gains may be elusive, are taking the long view. As Yadav points out, 'the possibility of AI-driven progress occurring on a longer timescale is real but the question of timescale should not be conflated with the question of likelihood'. In other words: the returns may take years, but they are coming.' ■

Carla Sertin

Carla Sertin is a freelance journalist and editor with nearly 10 years of experience reporting on Middle East businesses. She has reported on start-ups for *Forbes Middle East*, managed a portfolio of B2B magazines at ITP Media Group, and was the Senior Editor of *WIRED Middle East*.



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Countering proliferation finance: expectations vs reality

The task of combatting financial proliferation, of intercepting the vast flows of illicit capital that swirl around the global financial system, is an increasingly complex one. As perpetrators use ever-more sophisticated digital resources to disguise their illicit transactions, banks and other financial institutions are forced into a perpetual game of catch-up as they attempt to protect themselves from becoming unwitting conduits for illegal activities.

Financial crime consultant, Dr Noémi També and Christos Christou, Director of Compliance at Lulu Financial Group in Abu Dhabi, have between them more than four decades of experience working in the sector. They outline the difficulties currently facing financial institutions and what could be done better.

The challenges facing the financial sector as it attempts to identify and disrupt the networks that facilitate Proliferation Finance (PF) are multifaceted. Through our combined research and professional experience we have identified four key areas that currently inhibit effective Counter Proliferation Finance (CPF) practice. Namely: a disconnect between regulatory expectations and practical implementation, limited data quality and integrity, limited subject matter expertise within financial sectors and sector-wide inconsistencies in the implementation of PF and sanctions risk assessments.

The application of CPF measures poses particular challenges in relation to the Middle East, where there are currently no less than 31 United Nations Security Council sanctions regimes in place. Indeed, Iran, Iraq and Yemen have not only been sanctioned by the UN, but are also subject to unilateral sanctions with extra-territorial reach by jurisdictions such as the US, that are major economic and financial hubs. Lebanon, meanwhile, is subject to an arms embargo and targeted sanctions directed at individuals and prescribed organisations based in the country.

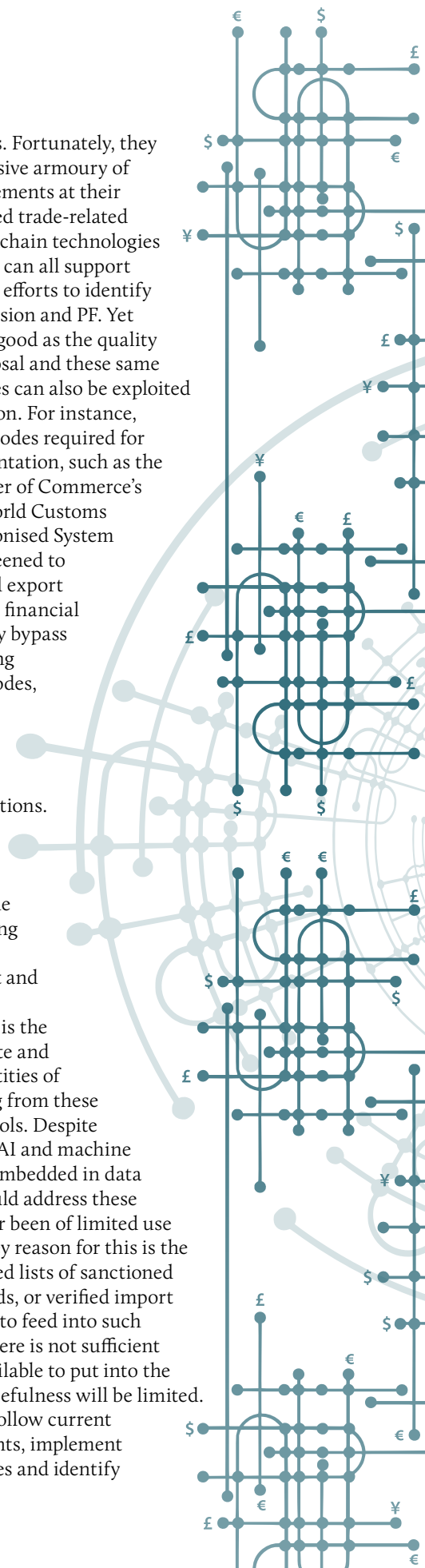
Sanctions which specifically tackle the serious threat of PF, require countries to continuously adapt and update their regulations, impacting both their politics and their economies – including internal markets and foreign trade. This is particularly true for the oil producing nations of the Middle East and North Africa, a region which is also home to multiple international trade hubs.

Faced with increasing volumes of transactions, the continuous threat of sanctions evasion and PF, financial institutions (FIs) are under never-ending pressure to

upgrade their controls. Fortunately, they already have an extensive armoury of technological advancements at their disposal. Fully digitised trade-related documentation, blockchain technologies and cryptocurrencies, can all support banks and FIs in their efforts to identify possible sanctions evasion and PF. Yet any control is only as good as the quality of the data at its disposal and these same technological advances can also be exploited to circumvent detection. For instance, the descriptions and codes required for trade-related documentation, such as the International Chamber of Commerce's Incoterms and the World Customs Organisation's Harmonised System (HS), are typically screened to identify sanctions and export regime violations. But financial proliferators can easily bypass this process by entering erroneous or mixed codes, making it extremely challenging to identify goods or activities which may indicate possible violations. Greater emphasis on HS code screening inevitably places further pressure on the private sector, including the banking industry, which has to interpret and decipher its data.

Equally challenging is the time required to collate and analyse the vast quantities of information emerging from these new data-provision tools. Despite initial optimism that AI and machine learning capabilities embedded in data screening systems could address these issues, they have so far been of limited use in identifying PF. A key reason for this is the absence of consolidated lists of sanctioned entities, dual-use goods, or verified import license requirements, to feed into such tools. Ultimately, if there is not sufficient homogenous data available to put into the new technology, its usefulness will be limited.

As they attempt to follow current regulatory requirements, implement best practice guidelines and identify



red flags, FIs must continuously revisit their money laundering, terrorism financing and proliferation finance risk assessments in order to evaluate the levels of risk emerging from continuously changing market threats and vulnerabilities. FIs are confronted by a chaotic and fragmented business landscape, one that is characterised by complex legal structures designed to obscure beneficial ownership, by siloed and disjointed registries of legal persons and ultimate beneficial owners, and by the exploitation of legal arrangements and trade vehicles.

As they adapt their customer risk scoring models therefore, FI's must take into account, not only the emerging threats themselves, but also the vulnerabilities associated with the very technologies that are designed to help in the processing of financial transactions.

Across the sectors, there is limited knowledge of how to recognise or assess levels of risk relating to proliferation finance. Larger banks and FIs can typically invest in appropriate staff training, or employ trade-credit specialists with knowledge of the subject. But smaller institutions, such as money transfer operators (MTOs), or payment services, lack the human resources to invest in sophisticated, trade-related information systems and data providers that can support their first-line-of-defence controls. This represents a significant gap in knowledge and practice that can be exploited by illicit actors.

All of which makes for a depressing picture. But there are grounds for optimism. The use of digital assets in settlement has decentralised trade transactions making them faster and less expensive. The emergence of alternative payment methods, open account terms and off-chain payments such as cryptocurrencies and stablecoins through the use of Virtual Asset Service Providers (VASPs) and MTOs, has further shifted payment terms away from costly, centralised operations. In turn, customs authorities, along with other professional bodies involved in trade licensing, are increasingly using modern technology for trade documentation.

Historically, efforts to monitor proliferation financing have been dogged by the problem of 'false positives' – inaccurate alerts that a transaction constitutes a regulatory breach. Their investigation can be time consuming and resource-intensive. The transition from a complete rules-based screening of trade documentation and transactions, using software such as optimal character recognition, to the use of AI and machine learning has produced some success in reducing false positives. Similarly, the digitisation of documentation, such as electronic bills of lading or letters of credit, transmitted through blockchains and digital trade platforms, has significantly enhanced efficiency, security, and transparency.

There could be further benefits if the current practice of 'post-transaction' monitoring analyses was applied at a much earlier stage.

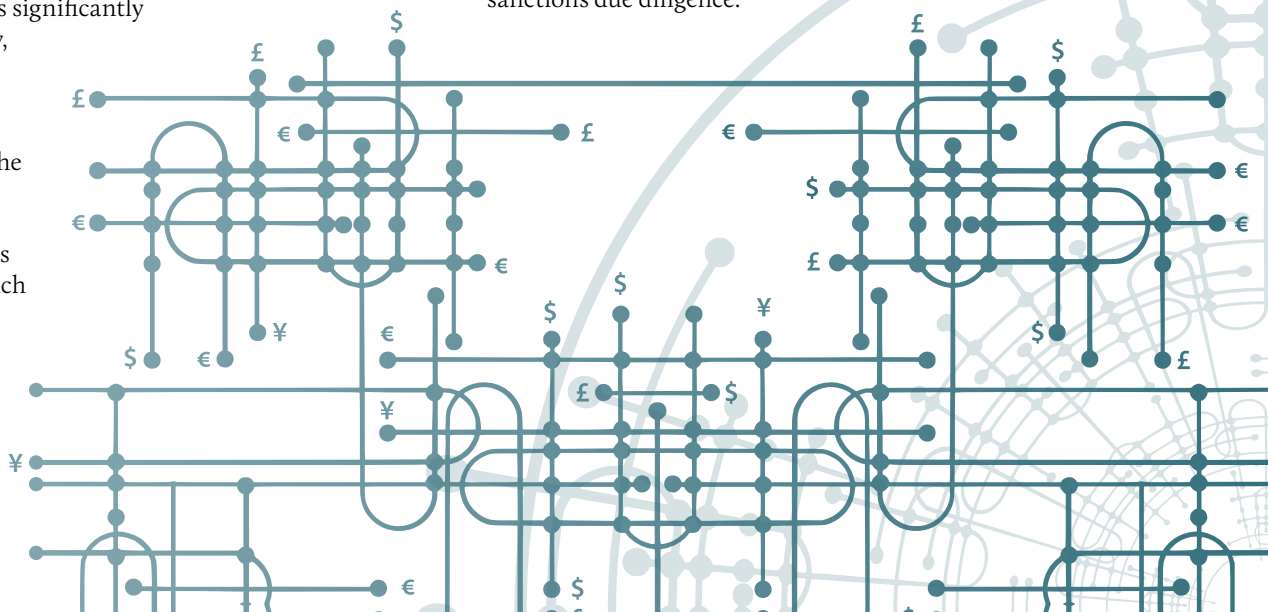


Dr Noémi També

Dr Noémi També is an independent financial crime consultant, trainer, researcher and founder of També Advisory. She is an associate fellow of the UK's leading defence and security think tank, The Royal United Services Institute and the author of 'Deconstructing Money Laundering Risk, De-risking, the Risk-based Approach and Risk Communication' (Springer, 2022).

The use of predictive analytics to assess the likelihood that a customer may get involved in money laundering or proliferation financing is already revolutionising the industry's approach to risk and its management. The proactive identification of risk anticipates and prevents the misuse of the financial system by illicit actors. This is especially important given the immutable nature of crypto asset-based transactions and the wider adoption of decentralised finance which has fewer opportunities for regulatory oversight. Moving forward, these preventive methods need to be enforced through international regulations and adopted across the industry, including by VASPs and MTOs.

Another key element to any CPF programme is robust employee training. Staff who perform customer onboarding, risk assessments, ongoing monitoring, and name and transaction screening need targeted training on PF risks. FIs should also provide training on how to perform open-source intelligence research to enhance sanctions due diligence.





Christos Christou

Dubai-based Christos Christou is Director of Compliance at Lulu Financial Group, specialists in financial crime risk management. With 20 years' experience in AML compliance within the banking and non-banking financial services sector, he also trains and lectures extensively on the subject. He is a member of the UAE Public-Private Partnership Forum.

But the private sector can only do so much. Responsibility also lies with government to support the development of subject matter expertise. When new regulations are introduced regulators should provide practical briefings and access to data. Government involvement should extend to the provision of sector-specific guidance on the interpretation and implementation of relevant legislation, as well as on managing the volume of legislative change. Current practice allows for too many grey areas around regulation and too much institutional divergence, with FIs expected to interpret legislation for themselves.

There are also several examples of good practice that the sector as a whole can learn from. Some jurisdictions, such as the UAE, the Philippines and Singapore, have established commissions with representatives from key stakeholders across the public and private sectors in order to collaboratively identify, assess and mitigate emerging proliferation finance risks.

In 2024, the Monetary Authority of Singapore went a step further, launching a digital platform enabling large commercial

banks to share data on those customers exhibiting financial crime risk indicators above pre-approved thresholds. The platform focuses on the misuse of legal persons and trade finance for illicit purposes, as well as on proliferation financing, and showcases the importance of proportionate and purposeful data sharing in fighting financial crime.

Similarly, although it is still in its infancy, the European Union's Anti-Money Laundering Authority represents an attempt at coordinating member states' implementation of anti-money laundering (AML) legislation. This is an instance of good practice which could be exported globally and adopted elsewhere by organisations such as the Gulf Cooperation Council (GCC), which could introduce its own unified regional AML framework. In addition to supervising implementation and alignment, such an authority could be granted extensive powers around information exchange and direct or indirect supervision of high-risk financial and non-financial entities.

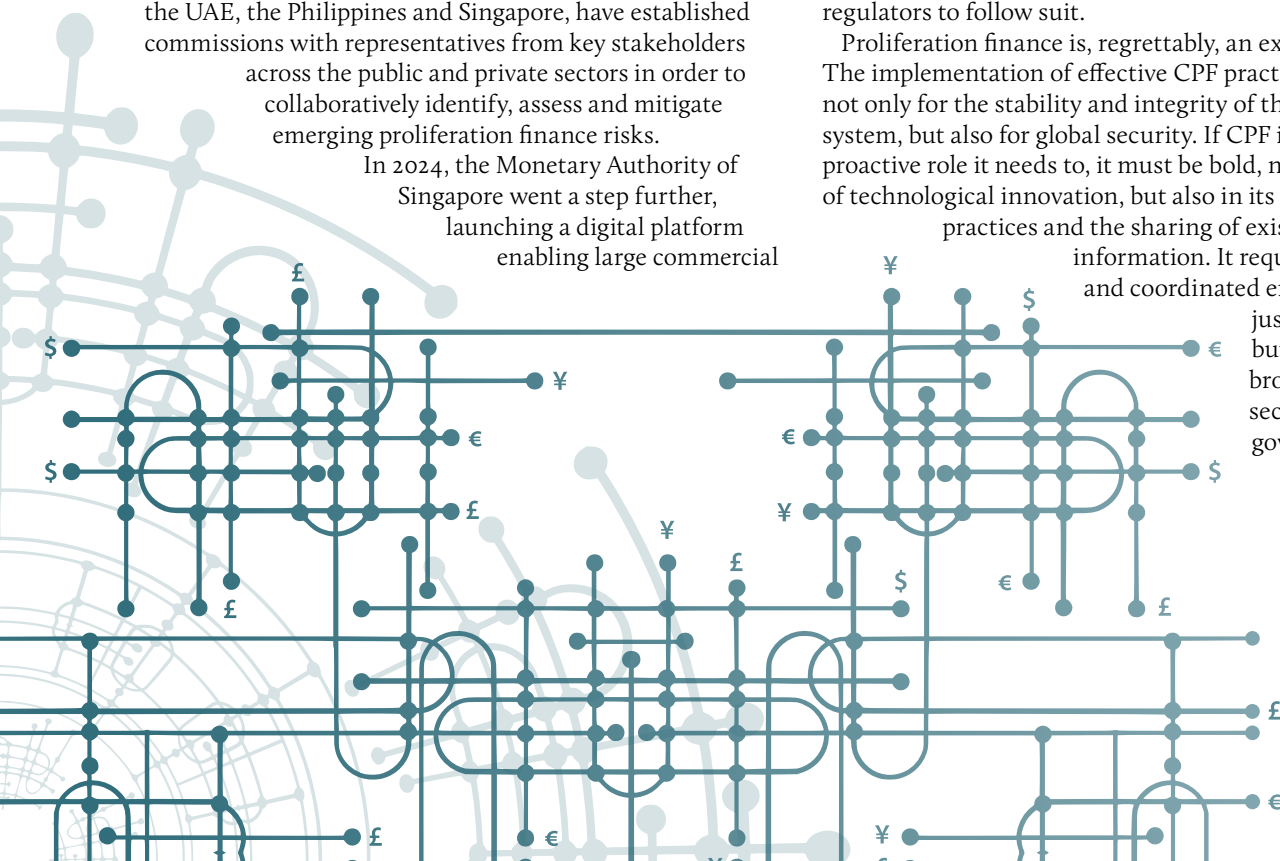
GCC countries should also introduce a trade supervisory authority to license and regulate all trade-related bodies and ultimately apply the appropriate AML/CPF frameworks.

There are also other existing resources which governments could be utilising more effectively. National risk assessments, along with proliferation finance risk assessments, constitute unique sets of data which could be powerfully leveraged by the CPF community. These resources could be used to create a single sanitised database, one that includes anonymised case studies, as well as observed typologies, which could then be made available to money laundering reporting officers across the sector. This would give the industry as a whole a more granular understanding of PF risks, facilitating the development of institutional PF assessments.

Finally, The Financial Action Task Force (FATF) should update its recommendations to account for challenges associated with trade. For instance, accurate, complete and updated documentation of goods, their descriptions and associated codes should be regulated and incorporated into FATF standards – a practice that would encourage regulators to follow suit.

Proliferation finance is, regrettably, an expanding field. The implementation of effective CPF practices is critical, not only for the stability and integrity of the financial system, but also for global security. If CPF is to fulfil the proactive role it needs to, it must be bold, not just in terms of technological innovation, but also in its collaborative practices and the sharing of existing data and information. It requires dynamic and coordinated engagement, not just amongst FIs, but between the broader private sector and central government. ■

and coordinated engagement, not just amongst FIs, but between the broader private sector and central government. ■





The Libyan Investment Authority: taking back control

A significant ruling by the United Nations Security Council (UNSC) earlier this year, grants the Libyan Investment Authority the right to manage and reinvest tens of billions of dollars of mostly liquid assets, frozen in 2011 as part of the sanctions regime imposed after the collapse of the Qadhafi regime. The ruling, which applies only to the reinvestment of matured assets, enables the sovereign wealth fund to manage a substantial share of its own portfolio for the first time in nearly 15 years.

Arab Banker editor, Tabitha Morgan-Butt has been considering the implications of the ruling for the Libyan Investment Authority.

The UNSC ruling represents the culmination of years of institutional reform and careful negotiation by the Libyan Investment Authority (LIA), one of the largest sovereign wealth funds in the MENA region, as it struggles to ensure it is fit for purpose in the years ahead. Its fund's assets have been valued at approximately \$70 bn, virtually all of them inaccessible to the authority.

Formed in 2006, as a vehicle for conserving the vast revenues acquired from the sale of oil and gas, at a time when the domestic market had limited absorptive capacity, the LIA almost immediately became a tool for the distribution of power and influence. Substantial sums were invested in loss-making ventures via a complex palimpsest of five subsidiaries and no less than 550 companies around the world. Jason Pack, President of Libya Analysis LLC, believes that corruption was baked into the LIA from its inception and that 'it deliberately made losses and created inefficiencies in order to support one of the various factions vying for power.' The opacity of many of these ownership structures meant that even the LIA's own management at that time was unclear about the total value of its assets.

Chaotic years

While the scale of these losses was by any measure appalling, the organisation was to enter a tailspin of dysfunctionality in the chaotic years following the collapse of the Qadhafi regime in 2011, when rival factions engaged in protracted struggles to gain control of its considerable resources using a combination of litigation and armed force. In response, the Libyan government requested that the United Nations Security Council froze assets held by the LIA outside of Libya, in an attempt to safeguard the wealth of the Libyan people.

Although the sanctions applied to the vast majority of the LIA's investments, the measures were subsequently criticised

by some analysts for inconsistency, targeting some LIA assets but not others, and enabling significant transfers of interest and dividends across (and sometimes even within) jurisdictions. At one point the LIA had two rival CEO's based in Tripoli and Malta respectively, effectively paralysing the authority, which became unable to audit or manage its own affairs, or to properly investigate past misappropriations.

This period of chaotic decline was halted by a 2020 British court ruling in favour of the leadership of current CEO Ali Mahmoud Hassan Mohamed, who had originally been appointed to the post by the then Government of National Accord in 2016. The ruling now placed the LIA, its subsidiaries and stake holders firmly under his purview.

Confirmed in post, Dr Ali as he is universally known, finally had the authority to oversee the implementation of a three-pronged strategy for rehabilitation, one that involved rebuilding public confidence in the organisation, raising internal standards and governance and ultimately improving the position of its investments. 'The LIA had never, since its inception had a clear strategy' he says, 'this was the first time we had such a robust plan that was fully implemented.' The strategy has required the CEO to look both forwards and backwards at the same time, as he deals with the significant legacy issues that have blighted the LIA's progress, while also pushing forward with internal reform and prioritising the protection of its investments.

Inevitably, the authority's reputation nosedived over the course of the long litigious decades and closing the credibility gap has been crucial to its gradual rehabilitation. This has involved working closely with reputable companies to provide audited, consolidated financial statements covering the period of historic mismanagement, across the entire LIA group. 'Once we have dealt with this backlog we can continue to provide regular audits in a timely fashion,' said Dr Ali, adding, 'this is the most important thing we can do now to improve our image to the rest of the world.'

Chief among the problematic legacy issues are the authority's numerous loss-making subsidiaries, many of which date back to 1985, their establishment driven by networks of patronage and clientelism, rather than financial criteria. These companies have now been grouped together in a single book and their executives instructed to minimise expenditure, prior to a comprehensive programme of restructuring across all non-liquid asset classes. Dr Ali maintains that there has already been 'a huge decrease in the number of these companies if you compare the 2012 audit to today.'

Forward looking strategy

The next stage is likely to involve further alignment with the practice of most other sovereign wealth funds who avoid the direct management of their assets in favour of strategic investments through external fund managers, accountable – and replaceable – in the event of poor performance. For the LIA, this has the additional advantage of reducing opportunities for corruption and patronage.

The forward-looking element of the strategy has involved capacity building, training existing staff, and bringing in new talent, recruitment which Dr Ali believes has been essential for its implementation. It has also involved grappling with the thorny issue of governance. The LIA has gradually sought to align itself to each of the 26 Santiago Principles, the voluntary code of practice implemented by the International Forum of Sovereign Wealth Funds (IFSWF) to promote

good governance, accountability, transparency and prudent investment practices. For the past six years the authority has been submitting annual reports to the IFSWF. In 2020, it was ranked 98th out of 100 SWF's for sustainability and governance, by 2024, it had moved up to 51st out of 100. 'It was critical that we were able to convince the international community that we had improved our standards to be in line

Libya and LIA Timeline

2006 LIA established under leadership of Colonel Muammar Qadhafi to manage oil and gas surpluses and diversify economy. Initial capital estimated at \$40–\$50 bn.

2007–10 LIA makes significant investments in Europe, US and Africa. Acquires stakes in BP, Unicredit, Pearson and Soc Gen via subsidiaries: Libyan-African Investment Portfolio and Libyan Foreign Investment Company.

2011 Qadhafi regime overthrown and he is killed. UN imposes sanctions and freezes assets held by LIA and related entities over concerns about their misuse.

2012 Elections held for interim General National Congress (GNC) which creates a transitional government. It attempts to regain control of frozen assets and restore proper governance to the LIA. Legal audits begin to trace LIA funds and investments.

2014 GNC refuses to accept parliamentary election results, establishes its own government in west of the country, backed by armed groups. Newly elected parliament moves from Tripoli to the east, establishing rival government backed by General Khalifa Haftar, and his Libyan National Army. Libya splits between warring administrations in east and west. Each 'government' appoints its own LIA board and chairman and seeks legal resolution in UK.

2015 UN brokers deal to establish new Government of National Accord, (GNA) confirming the House of Representatives (HoR) as Libya's parliament, but giving GNC members role as an advisory second chamber.

2016 New government assumes office in Tripoli, but is unrecognised by HoR, entrenching east-west divide.

2017–19 LIA launches transformation plan. Submits annual reports to International Forum of Sovereign Wealth Funds (IFSWF). Continues attempts to recover frozen and mismanaged assets.

2019 General Haftar's Libyan National Army advances on Tripoli. Clashes with forces of internationally recognised GNA.

2020 GNA forces drive Haftar's soldiers out of the west and announce a ceasefire. UN launches new peace-making effort aimed at elections the following year.

2021 Interim Government of National Unity (GNU) formed, uniting eastern and western factions to oversee new elections. Plans soon collapse amidst disagreement over new constitution. GNU regains control over LIA after UK courts rule in favour of leadership of current CEO, Dr Ali Mahmoud Hassan Mohamed. LIA ranked 98/100 by IFSWF.

2022 Tripoli-based Prime Minister, Abdul Hamid Dbeibah, refuses to quit. Eastern authorities halt oil exports.

2023 LIA engages in strategic reviews and institutional strengthening. Ranked 51/100 by IFSWF.

2024 Presidency Council in Tripoli dismisses Central Bank Governor, Sadiq al-Kabir. Bank operations disrupted.

2025 Dbeibah appears close to consolidating control over Tripoli after years of fragmentation. UN Security Council passes Resolution 2769, enabling LIA to manage and reinvest liquid assets frozen in 2011. Central Bank devalues currency by 13.3% in attempts to decrease public debt.



Dr Ali Mahmoud Hassan Mohamed

with other sovereign wealth funds' said Dr Ali, 'We needed to demonstrate to the UN that they could have confidence in us and our ability to manage these funds.'

As part of this process, the authority's management has consistently emphasised its independence from the Libyan government. 'We are part of Libya, but also separate,' says Dr Ali, 'we are not connected to the internal budget and I think this is why we won all those litigation cases, because we really drove that point home.'

During the years when the LIA was unable to manage its portfolio in a timely manner, the value of its assets steadily declined, much of it eaten away by banking and administrative costs. The asset freeze, originally introduced to protect Libya's wealth for future generations, was no longer fit for purpose. But still, as Libyan specialist, Tim Eaton, explained in a paper for Chatham House, 'it endured by default, because the LIA has not been able to make the case for lifting [it].'

Smart sanctions

A 2020 audit by Deloitte estimated that the LIA had lost an estimated by \$4.1 bn on its equity portfolio since the asset freeze began, with significant funds being held in negative equity and matured bonds converted into cash without being reinvested.

For Dr Ali, this has made responsible fund management impossible. 'In terms of investment, you can't be in a position that is 10–15 years old,' he argues, 'the market is dynamic, we need to take opportunities as they arise, if you can't do that, it's difficult to compete'. He gained a sympathetic hearing from the international community and his team worked closely alongside the United Nations Libya Sanctions Committee's panel of experts in drafting appropriate terms under which the freeze could be amended to enable the prudent reinvestment of matured assets. He stresses that the LIA is not in the business of repatriating the assets, or requesting that the overall asset freeze should be lifted, rather it needs what he describes as 'smart sanctions' giving the authority the freedom to operate like any other sovereign wealth fund.

Libya analyst Jason Pack believes that in this respect, Dr Ali is 'absolutely right to want the whole thing frozen, otherwise

there would be too much corruption risk with people trying to control the government and come to power.'

Earlier this year, the UN's panel of experts recommended that the LIA should regain control of the principal and accrued interest on matured bonds, equities, and share dividends that had been frozen since 2011. On January 16th, 2025, the United Nations Security Council passed Resolution 2769, handing back management of \$40 bn in standalone assets, along with liquid assets held in subsidiaries, to the LIA. For Dr Ali, 'improving our reputation and our transparency and also building our in-house capabilities, undoubtedly helped the UN in reaching its decision, all these three things are intertwined and interdependent, one needs the other in order for it to work.'

According to former ambassador to Libya, Peter Millet, UNSCR 2769 marks an important step in bringing the Libya sanctions regime up-to-date and 'returning it to its original purpose: to protect Libya's assets for the long-term benefit of the Libyan people. The LIA can now reinvest matured assets so that they can grow, rather than be depleted through negative interest or bank charges.'

The LIA's newly agreed investment plan prioritises the reallocation of \$10 bn in liquid assets (the class with the largest negative impact on the portfolio) and seeks to generate returns of 6%–7%, in line with other SWFs in the MENA region. The hope is that by demonstrating a responsible, low risk reinvestment strategy, along with transparency and good governance, further relaxation of UN constraints will follow in early 2026. According to Dr Ali, this will involve 'constant, ongoing work, it's not just about the investment side, the more requests we make to the UN, the more we have to improve our internal capabilities.'

So, what lies ahead for Dr Ali and his team? One of the many tasks now competing for their attention in the short term is the redistribution of the LIA's assets amongst a wider number of custodian banks. The previous practice of dividing cash between just two custodians is now considered too risky, and the authority is actively seeking to establish relationships with several 'top tier double A-rated banks that will be able to execute our vision.'

Far harder to determine will be the role a reformed LIA should play in the future development of a country that produces 1.4 mn b/d, but remains politically unstable and continues to be dogged by security issues. What scope is there for the authority to support the development of large scale domestic infrastructure projects? Libyan infrastructure is poor, government is highly centralised and its private sector (effectively banned in the 1980s, in Qadhafi's 'cultural revolution') remains embryonic. For Peter Millet the LIA has the potential to play a major role in the country's long-term economic reform, 'developing and reconstructing critical infrastructure, and diversifying the economy away from oil and gas.'

Others, like Jason Pack go further, suggesting that with the right legislative support, the LIA's assets have the potential to be fundamentally transformative, 'if it could call for transparency and best practice in other national institutions as a condition for investment,' he says, 'then it could bring absolutely everything in Libya from banking to oil to electricity, up to international standards and be a tremendously impactful institution.'

For Dr Ali and his team there is still everything to play for. ■



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UK real estate: new strategies, new prospects

At a time when the UK real estate market is facing a range of challenges across a number of different fronts, investors and the banks that fund them are becoming increasingly creative in their search for competitive returns. *Arab Banker* spoke to Keith Leach, Head of Real Estate Finance at Bank ABC.

ARAB BANKER: How has investor focus changed?

KEITH LEACH: Our core clients are investors from the GCC region and for a number of reasons, since Covid there just has not been quite the same level of investment activity in the UK. This has been due to a combination of interest rate rises and high levels of inflation which have

led to a reduction in investment levels across the board. But investment from the GCC region in particular has declined, not just because of the reduced appeal of the UK as an investment destination, but because of other factors connected to increased interest in their own local markets.

If you look at all the mega projects being undertaken in Saudi for example, and then you look at Dubai and Abu Dhabi and how those markets are on the rise, it's inevitable that some of the investment you might previously have expected to come out of the region is now staying there. So, you have a combination of factors: the UK seems less appealing and at the same time there are greater opportunities presented locally in the Gulf.

Ten years ago, traditional assets would have included a big office in the City or the West End, or a residential development opportunity in prime central London. However, these markets are more complex now, so investors are either looking further afield or stalling their activity, or simply withdrawing. The office market is still very buoyant, but it's very polarised. While there is strong demand for new modern offices in prime central locations, a second-tier office in a second-tier location is a quite different proposition. The whole culture is changing in the office world, people now come in to the office for just three days or four days a week, so new buildings are being constructed that look different to the ones that were being built 20 or more years ago. What I would call sub-prime office property is harder to lease. So, if you own a dated office in the city that becomes vacant, it is



Keith Leach

Keith is an experienced banking professional, specialising in engaging with investors from the Arab world. His expertise encompasses commercial and residential real estate finance, as well as Islamic banking, and retail and private banking. Keith was part of HM Government's Islamic Finance Experts Group. He currently leads Bank ABC's real estate and Islamic finance team in London.

exceedingly difficult to fill it, because companies that might once upon a time have been your prospective tenants will all be moving into something brand new. So, because of these factors, people are now looking at other asset classes as well.

How do you see the market developing?

I think this has the potential to be quite a long cycle. The real estate market in the UK is quite stable, it seems to have settled down after the rate rises. But investors are taking a 'wait and see' approach, they do not want to commit to one area when they're not sure how everything's going to pan out.

There is a lot of positivity now in GCC markets, a lot happening in KSA and other areas, but things can change very quickly in that region too. So, it is going to be quite quiet for a period. Levels of investor sophistication are also greater now in terms of the types of assets being bought. Previously it was prime central London or surrounds, now it is Manchester, Birmingham, Bristol, Edinburgh, logistics, student properties, care homes, warehouses and the like.

How has that impacted on your strategy?

Our strategy typically and preferably, would be client led. Our favourite clients are names that we know, recognise and trust from the region, but some of them have taken a step back. We also have clients from the US, the UK and Europe. We have a reputation for being good at development finance and we have managed to attract some of the big global investment funds: BlackRock, Blackstone, and Oaktree.

In this climate, we have been focusing our lending on the residential investment sectors; student housing, co-living and build-to-rent. Our strategy is also being influenced by the housing shortage, as well as its high cost, especially for first-time buyers. There is also a generation that perhaps doesn't want to be settled with mortgages till they're in their fifties or sixties. Habits are starting to change and we're seeing a rise in the co-living and build-to-rent market. This includes purpose-built properties that are quite small, but have a lot of amenity around them, things like gyms, workspaces and rooftop bars, and where your rent covers everything. You might pay £1,500 a month, but you do not have to join a gym, or pay for wi-fi, or council tax. All of that is included in your rent.

There is a lot going on in this space to satisfy housing demand, and we were one of the first banks to get into that area. We managed to react quite quickly, and we started funding these schemes three or four years ago, so we have already had schemes built and repaid.

We have just approved a big scheme in Manchester, financed a build-to-rent in Edinburgh as well as a big scheme that is built and operating in Croydon. Traditionally, that was not Bank ABC's market, but we have moved into it because of where the money is now going.

We are now looking ahead at what is next, because there is a lot of money available for banks to lend, and they want to lend into real estate, but there's uncertainty in some sectors. There is a lot of liquidity, chasing what would be considered more secure, gold-plated type stuff. It is still an active market; we are just not seeing quite the level of activity experienced previously. And we are finding it difficult to be competitive on certain asset classes that we were funding a few years ago. We need to think, what is next?

So, what other areas are you hoping to move into?

We have been looking at the senior living market, although it is not really developed into an established model in the UK in the way that it has in other countries like New Zealand and Australia. Investors from the GCC region have been thinking that they need to get into the UK and Europe because they can see an ageing population that is also affluent, with a great deal of equity in their existing homes.

Many big institutional investors want to see a pattern before they will commit. But there are too many variables in terms of senior living now. Although many of these places are aimed at a market that is aged around 60–65, the average age of people actually buying is around 78. People just do not want to give up their homes where they have a lifetime of memories. Naturally, there is a bit of resistance amongst the target demographic and the market's still unsure what the best way forward is, which makes it difficult for banks to finance. But we are looking at that market because the demographics are unarguable. In 10 years' time 25% or more of the population is going to be over 65. The market just needs to settle and establish itself first.

How closely do you work with other banks within this sector?

We are trusted by our peer banks and we work with many of them. We source and arrange transactions, and lead and manage the deal. If, for example, a bank has a sizeable transaction but does not necessarily have the balance sheet to underwrite the whole amount, or maybe where they just want to share the risk, we will work with them following a well-established and successful process.

For example, if a GCC bank prefers to work with local clients and we identify a client seeking a large real estate transaction, we may invite that bank to co-manage the deal. We can structure such deals either conventionally or in line with Islamic finance principles. Importantly, there's no concern about client poaching. Instead, we offer to co-fund and administer the transaction, often contributing around £50 mn, thanks to the strength of our balance sheet and the expertise of our senior relationship managers.

We like collaborating with our peer banks in that way, and we're keen to do more of these sorts of deals. In this segment of the market, I would say we are the bank's bank. ■



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Unlocking MENA's infrastructure potential: the role of British exports



Computer-generated impression of Six Flags Qiddiya City
(Image: Qiddiya Investment Company)

The global economic outlook may appear uncertain, but according to the latest figures from the IMF, growth across the Middle East and North Africa is projected to rise to 2.6% during 2025. Tim Reid, Chief Executive of UK Export Finance, the UK's export credit agency, outlines the role the agency can play in supporting the region's economic development by providing financial guarantees for the delivery of ambitious infrastructure projects.

Export Credit Agencies (ECAs) are government-backed institutions that work to support their country's exports by reducing the financial risks that often come with loans, guarantees and insurance connected to international trade. These agencies work with businesses from their home countries who are operating in MENA and elsewhere to secure financial support for infrastructure and other projects.

British credit agency UK Export Finance (UKEF) supports domestic exporters based in the UK. It does so by working with international buyers to gain access to the finance necessary to deliver large-scale and complex projects which include products, services and component parts provided by UK exporters. It can also help companies to win contracts by providing attractive financing terms to prospective buyers, as well as supporting working capital loans and insuring against buyer default.

Unlocking potential across MENA

UKEF has significant experience of unlocking finance for ambitious infrastructure projects across MENA.

Recently two of the UK's leading providers of emergency services vehicles based in Ayrshire, Scotland and in Yorkshire

respectively, were tasked with the delivery of 62 fire-fighting vehicles to Iraq, as part of the country's overhaul of its fire-fighting infrastructure.

The transaction was supported by a UKEF-backed loan for approximately \$31 mn and represents one of Iraq's biggest ever investments into its emergency services, as it seeks to combat increasingly frequent outbreaks of fire across the country in the summer months. Deals such as this can pave the way for British manufacturers to participate in large-scale projects, enabling them to expand and create further UK jobs.

UKEF also supported \$700 mn of Islamic murabaha financing for Saudi theme park, Six Flags Qiddiya City outside Riyadh. This is UKEF's largest murabaha financing to date and the first in the region. It has involved working closely with Saudi Arabia's Public Investment Fund.

Driving infrastructure development in Morocco

While deployment of UKEF-backed funding across MENA has been substantial in recent years, there remains considerable potential for UKEF to play a critical role in North Africa.

Recent conversations with government officials, bankers and contractors have underlined the opportunities that exist for external support in the development of Morocco's energy, rail and water networks.

In 2030 Morocco will be co-hosting the Football World Cup alongside Spain and Portugal. While this event represents a fantastic opportunity for widespread infrastructure investment, it also has the potential to catalyse many other projects which could have a lasting and fundamental impact on the country.

The build up to the tournament has triggered a wide-ranging investment programme worth \$23 bn. A host of transport and infrastructure upgrades will be required and UKEF – alongside other ECAs – can play a significant role in



Tim Reid

As well as being the Chief Executive of UK Export Finance, the UK's export credit agency, he is also a Director General in the Department for Business and Trade and a member of its Executive Committee. Tim joined UKEF in 2022 as Director of Business Group. He was previously at HSBC, where he spent 34 years managing businesses across Europe, the

Americas and the Middle East and North Africa, and was most recently Global Head of Transaction Banking for the bank's global banking division.

securing the necessary financing. With over £5 bn available from UKEF for supporting projects in Morocco, we are keen to work closely with the Moroccan government and the country's businesses to support upcoming projects.

Beyond the World Cup, sustainability is a priority for the Moroccan government. With shared net-zero ambitions, UKEF can be a valuable ally across a range of projects from the development of green hydrogen to the improvement of water security – through greater use of desalination and recycled water. Morocco's strong banking sector, with its high levels of liquidity, combined with an abundance of established local contractors, all contributes to a positive environment in which UKEF could support public infrastructure development.

Transforming public services in Egypt

There is also huge potential to develop future partnerships in Egypt, where the government has great ambitions for infrastructure development and appreciates the corresponding need for finance and innovation to deliver it.

UKEF's buyer credit facility has already been deployed in support of infrastructure projects in Egypt. In 2021 the export agency provided a £1.7 bn guarantee to underwrite loans for the construction of the Cairo Monorail. The deal was administered by JP Morgan with reinsurance support secured with the help of the Italian and Spanish export credit agencies. The monorail, which is due to be completed later this year, will be the world's longest driverless system, forging a vital transport link across Greater Cairo. Britain's Bombardier Transportation, the preferred bidder for the project, built and supplied the trains at its manufacturing plant in Derby.

UKEF is keen to support similar projects across Egypt and can access up to £2 bn in financing for the development of infrastructure in the country's education, transport, healthcare, water, energy and agriculture sectors.

A bright future ahead

ECAs such as UKEF can play a critical role in infrastructure development across MENA. We believe international cooperation is key to achieving these goals.

As demand for infrastructure projects increases and as countries focus with increasing clarity on the journey to net zero, we view the forging of closer ties with our trading partners in the region as being essential to our work. We hope that closer collaboration across the MENA region will enable us to support demands for the project finance required to deliver large-scale undertakings – all while increasing opportunities for British exporters. ■



Below: Computer-generated impression of the Cairo Monorail (Image: Alstom Innovia)
Right: A fire engine from Emergency One – a Scottish supplier for the modernisation of Iraq's firefighting infrastructure (Photo: Emergency One Group)





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Gaby Fadel

Renewing our team, refreshing our approach

There have been a number of changes to the ABA board this year.



Hanan AlMasood



Gabriella Sidoli



Talar Joulhajian



Tabitha Morgan-Butt

Following the departure of our previous Chair, Fawzi Dajani, and of two other board members Amr Turk, and Vivien Davies, Yasser Ibrahim has stepped into the role of chairman. Yasser previously served as vice chairman and has been a board member since 2018. He will be supported by Haytham Kamhiyah, who has now taken on the role of vice-chair.

We also welcome three new board members. Sophoklis Argyrou has been managing director and CEO of Bank of Beirut UK Ltd, since 2015. Fellow new member, Bassem Boustany, is managing director of National Bank of Kuwait International in London, having joined NBK in 2007. Third new board member, Paul McDonagh, is the general manager and CEO of Qatar National Bank. They bring considerable expertise with them and their support and guidance will be invaluable to the association as it seeks to remain relevant and responsive to members' needs in the years ahead.

Our CEO, Gaby Fadel who assumed the role in April 2024, has now completed his first full year in post. He continues to be supported by Honorary Chairman, George Kanaan. They are assisted in the London office by Hanan AlMasood, who manages business development and by Gabriella Sidoli, who manages accounts and administration. Business development is also managed from Beirut by Talar Joulhajian.

After thirteen years with the ABA, Andrew Cunningham has stood down as editor-in-chief, although he continues to provide insightful and valuable contributions to the magazine. Tabitha Morgan-Butt has taken over his role, editing the magazine, producing the ABA's regular newsletter, ABA News, and overseeing the association's other publications.

We now have nearly 40 corporate members, comprising branches and subsidiaries of Arab banks in London, Arab-owned banks that are incorporated

in London and international banks, as well as legal and financial services companies working with Arab banks or seeking to do so. The list of individual members grows steadily, and our financial position is healthy with robust liquidity.

We continue to play a vital role as the interlocutor between the London Arab banking community and UK banking regulators. In February, we arranged a meeting between member banks' CEOs and senior executives of the Prudential Regulation Authority, who outlined their priorities for the coming year. We plan more such meetings with other regulatory authorities soon.

Our programme of technical seminars continues, with a range of both open and invitation-only events. In February, international law firm, FieldFisher led an instructive lunchtime session explaining the priorities of the Office of Financial Sanctions Implementation, following the publication of its first Financial Services Threat Assessment. We also held two events where technology companies addressed the challenges that digital transformation poses to banks and proposed ways of addressing them.

Our evening seminars remain popular fixtures in our calendar. At these events members get the opportunity to listen to sector experts discussing the latest developments in the energy and real estate markets respectively, followed by buffet meals and the opportunity to network with other ABA members in a relaxed environment.

During the first half of this year, we also hosted two social events. Our regular Eid dinner, to mark the end of the holy month of Ramadan, took place in April at the Millennium Gloucester Hotel. We also hosted a VIP dinner to mark the end of the UK-Saudi Investment and Partnership Summit, which was organised by the Saudi-British Joint Business Council and held at the Mayfair Hotel. Meanwhile, the ABA's annual five aside football tournament is becoming increasingly popular, with a record number of teams competing for the trophy this year.

Board of Directors

The ABA's Board of Directors is elected at the Annual General Meeting. A list of serving board members, as of 1 September 2025, is given below.

George Kanaan ABA Honorary Chairman, ABA board member since 2009

George served as Chief Executive Officer from 2009 until April 2024. Having handed over the CEO position to Gaby Fadel, George continues to be involved in the association's work in his capacity as Honorary Chairman. George began his banking career with Citibank in New York in 1975 and spent three years with First Chicago in London from 1984. He returned to Citibank in 1987 to establish and become General Manager of the London branch of Saudi American Bank (which was managed and partly owned by Citibank) and its associated investment company. After leaving Saudi American Bank, he established and managed a family office and acted as a consultant to Arab companies and high-net-worth individuals.

Yasser Ibrahim Arab National Bank, ABA Chairman, ABA board member since 2018

Yasser Ibrahim was appointed General Manager of Arab National Bank's London branch in September 2021. Previously, he had worked in Frankfurt am Main, Germany as Partner & Managing Director of International Banking and Co-Head of International Banking Sales at ODDO BHF. Prior to that appointment he had been Chief Executive Officer and Managing Director of National Bank of Egypt (UK) Ltd. in London. Yasser also spent more than 25 years at Commerzbank AG in Germany, Bahrain and Egypt. In his last function at Commerzbank, he served as Managing Director and Head of the bank's Representative Office in Cairo. Yasser also served as Non-Executive Chairman of the Board of Directors of Mercedes-Benz Egypt and as the Vice Chairman of the German-Arab Chamber of Industry and Commerce.

Haytham Kamhiyah Europe Arab Bank, ABA Vice-Chairman, ABA board member since 2020

Haytham was appointed CEO of Europe Arab Bank in December 2018, prior to which he had been CEO of Emirates Development Bank in the UAE. Haytham started his career with Arthur Andersen and then joined Capital Bank of Jordan in 1996, where he progressed to become General Manager of the bank in May 2005. He has served as a director of several organisations, including Jordan International Investment Group, Ithmar Islamic Finance Company, Jordan International Insurance Company, and Safwa Islamic Bank. Haytham holds a Bachelor's degree in accounting and business administration as well as professional qualifications from the Institute of Certified Management Accountants and from the Institute of Certified Public Accountants in the United States. In 2005, he obtained the Advanced Management Programme Diploma from INSEAD Business School.

Gaby Fadel ABA CEO, ABA board member since 2023 (and from 2004 until 2014)

Gaby was appointed Chief Executive Officer of the Arab Bankers Association in April 2024, having served as Deputy CEO since early 2023. He is a seasoned banker with many years' experience in international trade finance. He has been based in London since 1982. After graduating from Université Saint Joseph in Beirut, he began his banking career with Credit Lyonnais, and then joined Byblos Bank, first in Beirut and then in Brussels. From 1993 until 1999, he worked for Banque Française de l'Orient (part of Credit Agricole). From 1999, until he retired in 2022, he was General Manager of Byblos Bank's branch in London.

Rajeev Adrian ABC International Bank Plc, ABA board member since 2022

Rajeev is the Chief Executive Officer and Managing Director of ABC International Bank Plc (ABCIB), the London-based subsidiary of Bank ABC Group. Prior to joining ABCIB, Rajeev worked at Royal Bank of Scotland in various senior positions, including CFO of International Banking, Chief Administration Officer of Global Banking and Markets and Senior Strategist. Prior to RBS, Rajeev served at Lehman Brothers London in various roles. He began his career in Australia, working at the Office of the Auditor General and at the Australian Securities Commission. Rajeev holds a Bachelor of Commerce (B.Com) and a Master of Business Administration (MBA) and is a Fellow of the Australian Society of Certified Practising Accountants (FCA).

Bana Akkad Azhari BNY, ABA board member since 2022)

Bana Akkad Azhari is Head of Treasury Services EMEA for BNY. She is responsible for the overall coverage and delivery of BNY's products and services to existing and prospective clients as well as market development and strategic growth opportunities in payments, cash management and trade solutions. Prior to joining BNY in 2006 as Chief Representative with overall responsibility for the Bank's business in Lebanon and Cyprus, Bana worked for over nine years with Citigroup in Beirut. She is a member of BNY's Global Treasury Services Leadership Team, BNY's EMEA International Leadership Team and BNY's London Branch Management Committee.

Sophoklis Argyrou, Bank of Beirut (UK), ABA Board Member since 2025.

Sophoklis is the MD & CEO at BOBUK, joining in 2015. He chairs the Management Committee, serves as a member of the Board and the Board Credit Committee and is a permanent invitee of the Board Audit, Risk & Compliance Committee. Sophoklis previously worked for the Laiki Bank Group as the General Manager of the UK Branch and a member of the Group Executive Committee. Sophoklis also served on the Board of the publicly listed Lombard Bank Malta PLC. Before moving into banking, he began his career in accounting and finance working for Coopers & Lybrand where he qualified as an accountant.

Bassem Boustany, National Bank of Kuwait (International), ABA board member since 2025

Bassem joined NBK in 2021 and is currently the Managing Director of the Bank. Before his move to London, Bassem was based in Kuwait with NBK, where he held various senior positions in treasury, fixed income investments, and the International Banking Group. Bassem is a CFA charter holder, and holds a BE in Biomedical Engineering, and MBAs from London Business School and Columbia Business School. He is also currently a director of NBK France SA, TurkishBank, and NBK Trustees (Jersey).

Ayda Habboush Trowers & Hamlin, ABA board member since 2020

Ayda is a partner in the corporate department of Trowers & Hamlin and is co-head of the firm's Hotel and Leisure Group. She has over 15 years' experience as a corporate lawyer. During her career Ayda has been involved in a broad range of work including mergers and acquisitions (both in the UK and abroad), with a particular focus on inward investment in UK real estate from the MENA and ASEAN regions; and advising banks, institutional

investors and ultra-high-net-worth investors. As a member of Trowers' Islamic Finance team, Ayda advises on the corporate structuring of sharia-compliant acquisitions and the establishment of sharia-compliant offshore funds. She is a fluent Arabic and French speaker.

Yasser Hassan National Bank of Egypt (UK), ABA board member since 2023

Yasser was appointed CEO and Managing Director of National Bank of Egypt (UK) in May 2019. He previously served as Managing Director and CEO of National Bank of Kuwait (Egypt) where, over the course of an 18-year tenure, he led a major transformation project that significantly increased the bank's market share. Earlier in his career, Yasser had worked for several banks including National Bank of Abu Dhabi and National Société Générale Bank. Yasser is a director of the Egyptian British Chamber of Commerce in the UK and is a board member of the Association of Foreign Banks.

Charbel Khazen Gulf International Bank, ABA board member since 2014

Charbel Khazen is a Senior Vice President at Bahrain-based Gulf International Bank (GIB) and the manager of its London branch. He is based in London and has lived in the UK since 1985. Charbel joined GIB in 1995 and has held his current position since 2006. Before joining GIB, Charbel worked for Qatar National Bank and Europe Arab Bank (then known as Arab Bank) in London. Most of his banking career has focused on corporate and institutional banking, with an emphasis on relationship management and business development.

Paul McDonagh, Chief Executive Officer, Qatar National Bank, ABA Board Member since 2025

Paul joined Qatar National Bank as the UK CEO in 2021 following four years at Lloyds leading the CIB&FI internal functions and the client facing Multinationals and Product Sales teams. Prior to this he spent five years with Santander, heading the UK Corporate and Investment Banking business. He spent the previous 24 years at RBS/ NatWest where he held senior management positions based in London, the US, the Middle East, and globally. Latterly he served as Head of Global Network Banking, leading a team of 250 bankers in 33 countries. Paul holds an MBA, specialising in International Business and Banking Culture. Additionally, he is a qualified member of the Association of Corporate Treasurers and the Chartered Institute of Bankers.

Ralph Al Raheb Morgan Stanley, ABA Board Member since 2016

Ralph is a Managing Director of Morgan Stanley and is Head of Emerging Markets Onshore & Offshore Sales for Europe, the Middle East and Africa. He is a member of the Morgan Stanley MENA Management Committee, the EMEA Management Committee, and the Cross-Divisional CEEMEA ManCom. Ralph joined Morgan Stanley Paris in 2003 as an analyst in fixed income sales covering French financial institutions. He was named Vice President in December 2007, Executive Director in December 2009, and Managing Director in January 2015. Ralph graduated from Paris Dauphine University with a Master's degree in Economics and a Master's degree in Finance and Asset Management.

Hani Salem ABA Treasurer, PwC, ABA board member since 2016

Hani is a Director in PwC's assurance practice based in the Channel Islands. He is PwC Channel Islands' Head of Family Office. He has a wealth of experience in auditing and advising a diverse range of financial entities, including family offices, corporate service providers, multinational banks, and real estate funds across the Channel Islands, the UK, and the Middle East. Hani is a Chartered Accountant in the UK and is a Certified Public Accountant from the New Hampshire Board of Accountancy.



Eid dinner proves as popular as ever

This year's dinner to celebrate Eid-al-Fitr took place once again in the elegant surroundings of the rooftop restaurant of the Millennium Gloucester Hotel in Kensington. The Eid dinner celebrates the end of the fasting month of Ramadan and is an opportunity for Muslims and those who are not of the Islamic faith to come together, share food and enjoy each other's company.

Guests were able to network in a relaxed atmosphere and enjoy delicious Lebanese food. The event was made possible by the kind sponsorship of: Arab National Bank, Al Rayan, Europe Arab Bank, National Bank of Egypt, National Bank of Kuwait, Riyadh Bank, and Qatar Islamic Bank.



Above: Gaby Fadel, CEO, ABA; His Excellency, Rami Mortada Ambassador of Lebanon; Yasser Ibrahim, General Manager, ANB; Ahmet Yalçın Yalçinkaya, Chief Treasury & Finance Counsellor, Turkish Embassy; Mete Uluyurt, Managing Director, İşbank UK; Rajeev Adrian, CEO and Managing Director, Bank ABC; Fawzi Dajani, Non-Executive Director, NBKI; Raed Hanna, Managing Director, Mutual Finance; Charbel Khazen, Senior Vice President, GIB; Bassem Boustany, Managing Director, NBKI

Dr Yousef Al Awadi recognised for distinguished service to Arab banking

Our annual gala dinner for 2024 lived up to expectations and provided the association with the opportunity to present Dr Al Awadi with the ABA's 'Distinguished Service to Arab Banking Award 2024' in recognition of his lifetime's achievements. Dr Al Awadi led the Kuwaiti Investment Office in London with distinction and served as a board director for several of the region's biggest banks. He is currently chairman of British Arab Commercial Bank.

Dr Al Awadi was introduced by Alastair King, who was to be sworn in as the 696th lord mayor of the City of London the day after the dinner.

Diners also listened to a keynote address from former Chief Economist of the Bank of England, Andy Haldane, who spoke of reasons to be optimistic about the global economy, even in troubled times.

The occasion, which took place at the Biltmore Hotel in London's Mayfair, was the first to be presided over by the ABA's new Chief Executive, Gaby Fadel. In his speech he paid tribute to his predecessor, George Kanaan who had led the association for the previous 15 years.

The gala dinner, which is considered the flagship event for London's Arab banking community, was attended by around 250 guests.



Dr Yousef Al Awadi and family



Fatima Fawaz;
Houssam Weiss, MEA Airlines



Yasser Hassan, NBE; George Kanaan, ABA; Bana Akkad, BNY; Gaby Fadel, ABA;
Charbel Khazen, GIB; Dr Yousef Al Awadi, BACB; Andrew Cunningham, ABA



Syed Shah, Habib Bank; Alicia Pattihis, Jury O'Shea LLP



George Kanaan, ABA
and Vivien Davies, FieldFisher



Mrs Zomlot; Lord Hill; Hussam Zomlot, Head of the Palestinian Mission to the UK; Fawzi Dajani, NBKI; Mrs Diala Hussein; Andy Haldane, keynote speaker; George Kanaan, ABA; Abdullah S. Almasoud, Commercial Attaché, Royal Embassy of Saudi Arabia; Sir Michael and Lady Elizabeth Craig-Cooper; Mrs Soulaf Kanaan



Neel Bose, FTI Consulting and
Andrew Cunningham, ABA



Mona Mroue, BNY; Ziad Dandachli,
Lama Assi, Byblos Bank; Christopher Finan, BNY



Hani Salem, PwC; Rajeev Adrian, Bank ABC and Olivia Ferrara, PwC



Keynote
speaker,
Andy Haldane

What lies ahead for oil, gas and renewables?

At the ABA's annual seminar on global energy, a panel of industry experts was invited to address the question of whether oil can maintain its dominant role in the energy market in the 21st century?

Jamie Ingram, Managing Editor of Middle East Economic Survey, set the scene, outlining how OPEC+ members were gradually unwinding output cuts previously imposed in 2022, with the cartel approving no less than three oil output increases over the previous three months.

Jean Philippe Claude, of Europe Arab Bank, addressed the increasing demand for oil coming from emerging markets and gave examples of the bank's role in developing greener energy generation in MENA.

Joel Hancock, Commodities Research Director at Natixis Investment Bank, spoke of the likely impact of US tariffs and the consequent slowdown in global trade.

Finally, economist Saad Rahim drew members' attention

to the vast energy demands soon to be created by the expansion of AI, explaining that the operation of each NVIDIA chip consumes as much power as the average US household each year. This would translate into the equivalent energy requirements of 'six to seven Miamis' being needed to meet the data requirements of a single company. Nuclear power could not be brought onstream rapidly enough to meet these needs, he explained, so inevitably the increased energy demand would have to be met by gas.

Antonio Nicotra, BB Energy consultant, summed up a series of fascinating presentations, concluding that demand for oil was likely to dominate the market for some time, as the pace of the transition to renewables decreases.

The event was made possible through the generous sponsorship of Arab National Bank, BB Energy, Europe Arab Bank, Gulf International Bank, and Qatar National Bank.



Saad Rahim, Trafigura



Jamie Ingram, Middle East Economic Survey and Antonio Nicotra, BB Energy



Jean Philippe Claude, Europe Arab Bank



Yasser Ibrahim and Rim Faker, ANB with Charbel Khazen, GIB



Kim Laouer, PX Analytik



Yasser Hassan, NBE; Gaby Fadel, ABA with Antonio Nicotra



Lisa McClure,
PwC Channel Islands



Tom Walker, PwC Channel Islands



Sanjay Sharma, Fenton Whelan



Tom Bill,
Knight Frank

Real estate in uncertain times

Our perennially popular real estate seminar took place on June 26th, when expert speakers offered insight into real estate trends in a cautious market.

Barret Kupelian, Chief Economist at PwC UK, began by explaining that UK economic growth was currently running at around 1% a year, less than the historic average of 2%.

He was followed by Tom Bill, Head of UK Residential Research at Knight Frank, who said that higher interest rates and regulatory changes were leading to an exodus of landlords from the rental sector, predicting 'double-digit cuts' in asking prices as a result.

Sanjay Sharma, of Fenton Whelan, was more optimistic, arguing that changes to IHT legislation had not in fact led to a flood of higher-end homes onto the market as some had predicted, while Richard Jordan, of Trowers & Hamblins, argued government should do more to encourage high-net-worth taxpayers to remain in the UK.

Fuad Shakshir, Chief Commercial Officer at QIB, painted a more nuanced picture of the commercial market, explaining that although the value of UK commercial real estate transactions had fallen overall by £20 bn over the past decade, there had been increased transaction volume as well as growth within specific market segments. Tom Walker, Director and Real Estate Valuations Leader, PwC Channel Islands, continued the theme, describing downward valuations of the secondary and tertiary bands of the market, but expanding demand for prime properties.

The discussion was skilfully moderated by Lisa McClure of PwC Channel Islands and the event was made possible by the sponsorship of Al Rayan Bank, Arab National Bank, Fenton Whelan Ltd, PwC, Qatar Investment Bank and Trowers and Hamblins.



Staff of QIB: Claudia Sarasty, Maryam Zonouzi, Chahnaze Farhat, Umang Singh, Laura Gabrael, Fuad Shakshir



George Kanaan, ABA's Honorary Chair; Richard Myers, IKS Advisers; Carel van Randwyck, Rodford & Partners

Informative lunchtime meetings

We hosted a varied programme of working lunches for invited members during the first part of the year. Subjects ranged from tackling changes to the cross-border payment system, discussed by FX broker Stone X, to implementing a successful digital transformation, a challenge that was worked through by tech firm Comarch.

Around 35 members were invited to attend the ABA's regular meeting with the Prudential Regulation Authority at our offices in Mayfair on Feb 18th, when the authority outlined its priorities for the next 12 months. It stressed there would be a renewed focus on risk management, ranging from data risk and the way information is collected and analysed, to risk reduction through good governance. It also intended to place greater emphasis on operational and financial resilience and on ensuring that IT systems were robust, with adequate protection against possible cyberattacks or system interruptions.

The PRA also cautioned members against the over use of deposit aggregators. While acknowledging their appeal, the authority expressed concerns around lack of customer loyalty, or any direct relationship between bank and client and the speed with which clients could exit from relationships.

At the end of February, the ABA hosted an event to update members on the increasingly complex sanctions landscape. This followed the publication of the first Financial Services Threat Assessment, by the Office of Financial Sanctions Implementation (OFSI) the previous month.

Vivien Davies and Vanessa Wilkinson, of international law firm FieldFisher, explained that sanctions compliance is becoming increasingly complex and that the UK government has enhanced its enforcement capacity, to implement its biggest programme of sanctions (including 107 new targets) since the war in Ukraine began. The OFSI is now focusing on those third-party countries, including Turkey and the Gulf states, that are deemed to be supporting Russia in its efforts to circumvent UK and EU enforcement strategies. Government reach also extends to professional enablers working in the legal or financial sectors who are considered to be facilitating sanctions evasion. In parallel, the EU is implementing an outreach project in third-party jurisdictions in central Asia and the Gulf, to share concerns and encourage compliance.

Members subsequently took part in an animated and informative discussion. We plan to hold more events on this subject next year.



Xmas party beats the winter blues

Our Xmas party was particularly well attended. The event took place at our Mayfair building. Guests were entertained by magician, Brendan Rodriguez and had the chance to enter a seasonal raffle, while ABA Chair, Yasser Ibrahim, was delighted to be presented with a surprise birthday cake!



Ms Ranyah Bakry, Roula Haddad, Turkan Calli, Yasser Ibrahim and Souzana Aubi, ANB; Basyouni El Bayoumi, EAB



Manuella Alrayess, ANB; Anupama Sarkar, Marsh Insurance and Tarek Bishara, EAB



Myriam Oualha of Profin Partners with a team from Morgan Stanley including: Aya Latif, Charlie Hoskere, Ralph AlRaheb, Catherine Ninos and Temi Sogbetun



ABA editors, past and present, Melissa Hancock, Tabitha Morgan-Butt, Andrew Cunningham



Shaf Ali, Bellevue Mortlakes; Scott McKinnon, Mutual Finance; Richard Morgan, Bellevue Mortlakes; Houssam Weiss, MEA Airlines



Magician, Brendan Rodriguez kept everyone entertained



Alexandra Stone and Charbel Khazan, GIB; Aldona Puchalska, Eureka Financial



Tom Walker, PwC;
Tarik Ouahmed, Riyadh Bank;
Charbel Khazen, GJB



Haytham Kamhiyah, EAB; Camille Asmar, HSBC; Richard Musty, QIB; Mohammad Memon, EAB;
Sharon Gaughan, Riyadh Bank; Bassem Boustany, NBKI; Ms Arwa Al Bulushi, Commercial and
Investment Attache, Oman Embassy; Rana Ayoub, Citibank London



Nadim Zaman, LBBW;
Paul McDonagh and
Jean-Paul El Hage, QNB



Master of Ceremonies



Bassem Boustany, NBKI;
Yasser Hassan, NBE



Keynote speaker,
Abdelrahman Ahmed



Bassem Boustany, NBKI; Gaby Fadel, CEO, ABA;
Ralph Al Raheb, Morgan Stanley



A member of the Saudi British Joint Business
Council with Hani Salem, PwC and Shaf Ali,
Bellevue Mortgages

Strengthening trade ties with the Kingdom of Saudi Arabia

The ABA hosted a VIP dinner to mark the conclusion of a highly successful UK-Saudi Investment and Partnership Summit, organised by the Saudi-British Joint Business Council.

The event took place at the Mayfair Hotel, where guests listened to Abdelrahman Ahmed, Arab National Bank's Chief

Strategy Transformation Officer, outline the opportunities for business in the kingdom.

The evening was made possible by the generous sponsorship of: Arab National Bank, Bank of New York Mellon Corporation, Riyadh Bank, Europe Arab Bank, Gulf International Bank and the National Bank of Kuwait.



The Abdul Hameed Shoman Foundation: enriching the lives of Jordanians for nearly fifty years

Jordan's Abdul Hameed Shoman Foundation has been quietly underpinning the cultural and intellectual life of the country for decades. Little-known outside the region, it plays a vital role in the provision of library services, access to culture and the creation of platforms for public debate.

Arab Banker has been learning more about this much loved philanthropic institution.

The headquarters of the Shoman Foundation, in the upscale western part of Amman, are impressive. Walking in, a well-lit foyer leads to cheery offices and halls. The foundation's library is awash with colour, and the artwork on the walls reinforces the impression of youthful optimism. The day *Arab Banker* visited, the facilities were being well used, with a myriad kids with their noses in books or facing screens.

Created in 1978, the foundation takes its name from the founder of the Arab Bank, Abdul Hameed Shoman. He believed that culture was a necessity rather than a luxury, and set out to build a 'pioneering non-profit organisation to support cultural and social innovation and responsibility initiatives in the Arab world.'

Today, the foundation operates a network of public

libraries, provides a platform for public debates and supports creative expression and the arts, as it seeks to develop what it describes as 'thought leadership' along with arts and literature and social innovation. Its CEO, Valentina Kassisieh, sees the organisation's mission as being 'to create inclusive spaces where ideas flourish, dialogue is encouraged, and every generation is empowered to contribute to the cultural, scientific, and intellectual fabric of our region.'

The foundation is entirely funded by the Arab Bank – Jordan's largest financial institution – and effectively serves as the bank's cultural and social responsibility arm. The close ties between the two organisations are evident in the shared footprint of their brand.

At the time it was established, one of the organisation's objectives was the provision of financial support and public recognition to Arab scientists. The hope was that this would facilitate opportunities for international collaboration, while indirectly promoting evidence-based, empirical thinking, and combating scientific ignorance within Jordan itself, paving the way for economic development in the wider region. From this emerged the Arab Researchers Award, now in its 43rd iteration. The award's early recipients included seven Jordanian scientists and four from elsewhere in the Arab world, working across fields from engineering to medicine.

Since then, the focus has expanded and awards are now given to researchers and academics working in social and educational sciences, economics and administration, as



Valentina Kassisieh, CEO of The Abdul Hameed Shoman Foundation



well as water, energy, and food sciences. The most recent recipients came from six Arab countries and work in areas as diverse as seismology, cryptocurrency, smart agriculture and food safety.

The Arab Researchers Award is, by definition, a prestigious project. But the majority of the foundation's work is far more low key. Most Jordanians encounter the Shoman Foundation through the network of libraries and other grass roots community services that it maintains across the country.

The main library in Amman now holds around 175,000 volumes, and the foundation has established five additional branch libraries in other parts of the capital and elsewhere across the country. Crucially, their reach extends beyond books on shelves and they act as a hub for a wide range of cultural activities. Borrowing rights, the use of library services and participation in library events are all granted free of charge. For CEO Valentina Kassisieh, this is a fundamental part of the organisation's function: 'Each new branch allows us to extend the library's reach and bring knowledge, culture, and dialogue closer to people in their own communities' she says, adding that the organisation seeks to remove barriers so that everyone 'can benefit from books, ideas, and programmes that support learning, creativity, and participation'.

The day that *Arab Banker* visited, the central library in Amman, had posted details of a number of events on its noticeboard. There was a paint-mixing workshop for five-to-eight-year-olds, and daily activities for three-to-sixteen-year-olds on the theme 'A Date with Spring'. One branch, hosting a book club for parents, had even gone so far as to provide members with individual copies of the book for discussion, international bestseller, 'The Five Love Languages of Children' translated into Arabic. Kassisieh believes the foundation has a crucial role to play in guiding the next generation of 'cosmopolitan beings' as they navigate a path through the complexities of the digital age.

Elsewhere, older library users were able to participate in a monthly Naguib Mahfouz Reading Club, exploring the life and work of the Egyptian Nobel Laureate. The foundation also offers specialised workshops. The latest of these, 'How to Write Scientific Articles for the General Public' aimed at Jordanian university researchers, reflects the principles that originally underpinned the Shoman Foundation at the time of its establishment and its emphasis on the sharing and

distribution of knowledge and culture to the widest possible audience.

The foundation's most widely publicised work takes place in the context of the flagship Abdul Hameed Shoman Cultural Forum. This was established in 1986 to provide a platform for thinkers and political leaders to engage with a broad public audience through lectures and seminars. It has since hosted prominent local and international figures who address compelling and sometimes controversial issues. These range from politics and public health to science, literature, culture, and societal change – a diversity that reflects the issues currently shaping public discourse in Jordan and the Arab region.

This regular programme of widely publicised, public lectures has become a well-established part of Jordanian intellectual life. Recent speakers have covered areas relating to individual freedoms, education, artificial intelligence, the country's system of legislation and public administration, as well as social questions around poverty, gender, and children's rights. Lively and well-informed discussions generally follow across a variety of topics, but particularly in areas relating to civil rights and responsibilities, and the rights of women.

Crucially, like all the foundation's services, forum events are open to the public at no charge. It's a policy designed to encourage participation from all social classes and, to quote the foundation's website, to 'foster accessibility and engagement'. This could be seen in action earlier this year, when *Arab Banker* attended a lecture given by former Jordanian Deputy Prime Minister and Minister of Foreign Affairs, Marwan Muasher. Entitled 'Jordan Facing Current Challenges,' this hard-hitting talk called on Jordanians, whose country, historically dependent on foreign aid, is now confronting increasing economic difficulties, 'not to wait for an outside saviour because the era of saviours from abroad is over.' The audience was a mix of affluent middle-aged people and a younger crowd and reacted with interest during the packed dialogue session. Many of the questions posed to Muasher demonstrated increasing public interest in the pressures the country has experienced following events in Gaza since October 2023.

Forums such as this, involving a range of first-class speakers, who can address a broad spectrum of issues, provide a valuable platform for candid exchange and offer

an important space for dialogue. And the subjects covered certainly extend far beyond politics – Muasher's talk was followed a week later by a presentation from eminent Jordanian scientists on cancer research.

The foundation also holds monthly discussions and cinema talks as part of its Cinema Club programme. A recent session held in the same hall, was entitled 'In the Beginning Was the Shot', an analysis of film-making in Egypt presented by Egyptian movie critic Rami Abdel Razek. The audience here was young and more diverse, representing different segments of society. All participated in the discussion and seemed to enjoy themselves equally. The film programme for that month included a mixture of Arab and foreign films, including Federico Fellini's masterpiece *La Strada* (not the sort of film that would be easy to see publicly elsewhere in Jordan).

Significantly, these activities extend beyond the relatively affluent confines of West Amman. The foundation also operates three other branches in the capital, in the suburbs of Ashrafieh, Muqabalein and Bayader Wadi Al-Seer, as well as in Zarqa Governorate, all of them show films and host cultural and cinema events. It recently opened a new branch in the rural city of Maan, a city in Jordan's far south, a significant departure from the heavily urban Amman-Zarqa axis. The range of programmes offered in these less affluent areas is further proof that the foundation's wide – and widening – outreach extends beyond the country's elite.

In terms of both geography and variety, the foundation's activities expanded with Valentina Kassisieh's appointment 12 years ago. Since then, she 'has sought to prioritise accessibility and community engagement', and strongly believes that 'access to culture is a right for all'. Other new initiatives introduced under her watch include a programme of grants now worth just under \$1.5 mn annually. Grants are awarded to projects that foster reading and promote Arabic literature and arts, while 'Thought Leadership' grants are designed to advance scientific research and educational activities that contribute to knowledge sharing and

community engagement. This year, funds up to the value of \$42,000 per recipient have already been distributed in both Jordan and Palestine, supporting cultural and educational programmes in literacy, digital learning and critical thinking, as well as robotics and artificial intelligence.

For Kassisieh, a vital part of the foundation's work remains its commitment to supporting arts and culture in both Jordan and Palestine, a policy that has guided the foundation since its establishment and has remained unchanged. Managing this work in today's complex environment requires careful balance, but for Kassisieh, the principle is clear: 'From the very beginning' she says, 'our commitment has been to serve culture, knowledge, and creativity in Jordan and Palestine – regardless of the political context. Culture must remain a space for connection and resilience, especially in difficult times.'

Amid the momentous changes taking place in the region, it seems reasonable to ask what role the foundation sees itself playing in the years to come. The organisation clearly enjoys the widespread approval of the Jordanian public and Kassisieh sees a clear line of continuity between the work being done today and the foundation's beginnings. She believes that 'what has changed in recent years is the scale and the ability to reach wider communities and new fields.' And she has ambitious plans for the foundation to continue to expand its reach, particularly to the young and those with limited access to education and culture. Other priorities include increasing support for digital and scientific development in order to 'build spaces where knowledge, creativity, science, and dialogue are part of everyday life', and to ensure that 'culture remains accessible, relevant, and connected to the needs of future generations'.

It seems that nearly 50 years on, the original vision of the Arab Bank's founder, Abdul Hameed Shoman's continues to be honoured, as Valentina Kassisieh strives to ensure that young Jordanians from all backgrounds can access the cultural enrichment that the foundation offers. ■



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The National Debt: A Short History

Martin Slater

360 pages. Hurst Publishers. £14.99 paperback.

The United States' national debt has topped \$37 trillion for the first time in history, reaching levels that would have been unthinkable a generation ago. Despite bold cost-cutting plans by the Trump administration, experts and voters alike have raised concerns over the mounting debt burden and Trump's self-styled 'Big Beautiful Bill' which raised the debt ceiling a further \$5 tn – a move aimed at avoiding a potential debt default by the US government.

These developments have stoked fears that America is edging toward a fiscal breaking point, yet history suggests we have been here before. As Britain navigates its own fiscal pressures and renewed debates about government spending, Martin Slater's *The National Debt: A Short History* is a salient reminder that fiscal anxiety is nothing new.

The book was originally published as a hardback in 2018, written against the backdrop of the 2008 financial crisis and the ensuing Eurozone debt crises, but was reissued in 2025 as a paperback, with the addition of a new concluding chapter bringing the story right up to date.

Slater, a seasoned Oxford economist, offers readers something both timely and timeless: a concise, accessible narrative tracing Britain's long and complicated relationship with public borrowing; illuminating how the debt was born, how it evolved and shaped Britain's economic and political history.

Critics have hailed the book as an invaluable and much-needed perspective on one of the UK's most remarkable instruments of power, praising its masterly treatment of early debt history, as well as its witty and broad appeal.

Slater begins in the late 17th century, with the so-called 'Stop of the Exchequer' in 1672 – when the crown suddenly repudiated all state debt, a catastrophic event, but one that ultimately led to the establishment of the Bank of England in 1694. He then moves deftly on to the overthrow of King James II in the events known as 'The Glorious Revolution' of 1688, another foundational event that laid the groundwork for modern government credit. His early chapters are particularly strong, although it could be argued that his analysis of 20th-century debt management is less robust, particularly in its assessment of modern policymaking.

Clarity is one of the book's chief virtues. Slater skilfully explains what could be considered arcane financial matters in language that general readers can follow without strain. The result is a history that is as engaging for a lay reader as it is useful for students, economists, or policy enthusiasts. Where Slater truly shines is in showing the interplay between war, empire, and credit. Britain's military ventures repeatedly pushed debt to the forefront, whether in financing Napoleonic campaigns or weathering the immense costs of two world wars. His storytelling underlines how borrowing was both a tool of national survival and a potential burden for generations to come.

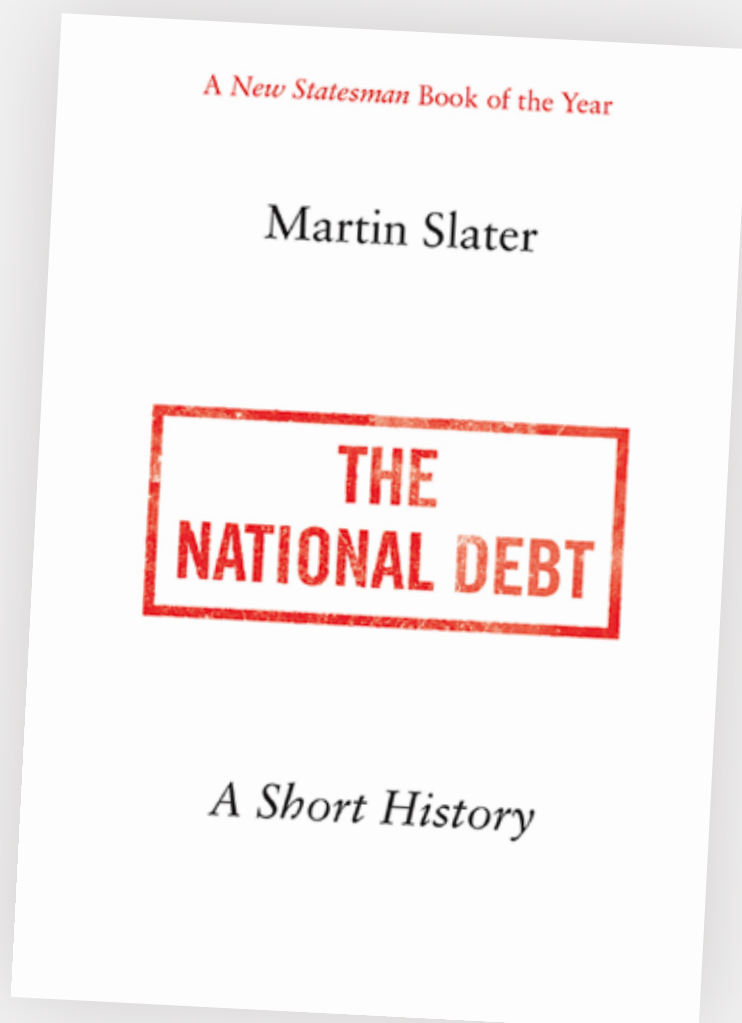
Part of the book's charm also lies in its measured tone. Slater does not write as a polemicist warning of fiscal doom, instead, he gently suggests that while Britain's debt has often been high – far higher in the past than today – the nation has generally managed to overcome these challenges. Debt, he

suggests, is not an existential threat in itself, but a policy tool where dangers and opportunities depend on context. Slater creates a valuable historical arc reminding us that arguments about what level of debt is 'too much' have been going on for centuries.

Condensing over 300 years of financial history into 360 pages without losing clarity or narrative drive, *The National Debt: A Short History* succeeds brilliantly as a work of synthesis. While experts and scholars may nit-pick over some details within its pages, it is rare to find an economic history that can entertain, instruct, and provoke thought in equal measure.

Slater's book is a tremendously satisfying deep dive into how debt is woven into Britain's historical and economic fabric. What matters is not the sheer size of the debt, but the political will and institutional creativity to manage it, and that understanding its past is essential if we are to make sense of its present and future.

Heidi Marttinen



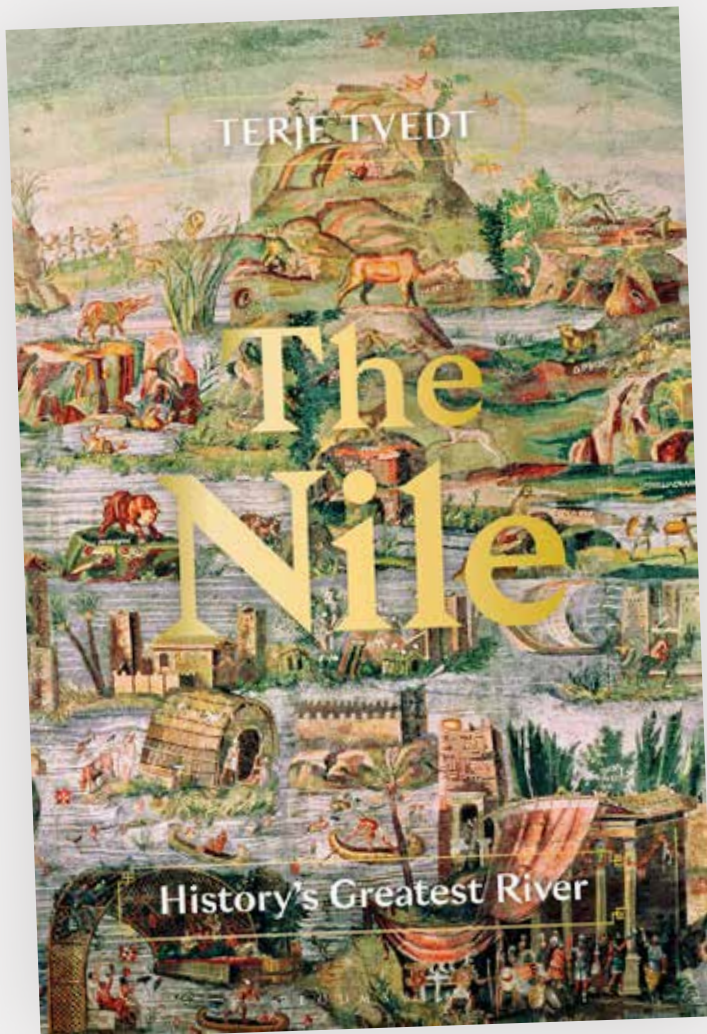
The Nile: History's Greatest River

Terje Tvedt

416 pages. Bloomsbury Publishing. £13.99 paperback.

Few rivers carry with them as much history, or contemporary controversy as the Nile, a river that binds together the destiny of almost half a billion people. Its waters have fed empires, launched colonial campaigns and inspired poets. Today, they underpin some of the most consequential diplomatic tensions on the African continent. In *The Nile: History's Greatest River*, Norwegian historian Terje Tvedt sets himself the challenge of giving the world's longest river a full biography.

This is an ambitious and fascinating book, replicating the grand narrative style of Herodotus. It takes the reader on a meandering exploration of the river spanning 5,000 years and 11 countries, from the Mediterranean to Central Africa, travelling upstream from mouth to source. *The Nile* is an engaging and richly nuanced study of the ways the river has shaped its surroundings and the lives of those who live alongside it.



Tvedt, a historian, political scientist and geographer, blends multiple genres to create a work which is simultaneously a history of the development of civilisation, a travelogue, and a study of hydropolitics and African development.

The author moves confidently from antiquity to modern geopolitics, encompassing empire, culture and economics and featuring characters from Caesar and Cleopatra to Churchill and Nasser. He also focuses on today's political leaders as they engage in intricate dam diplomacy and on the vast contemporary infrastructure project that is the Grand Ethiopian Renaissance Dam. This upstream hydroelectric project on the Blue Nile, affects the water supply to the downstream Aswan High Dam and has created significant political tensions between Ethiopia, Sudan and Egypt. But the dispute, reflecting as it does, long-standing anxieties about water rights, security, and sovereignty, cannot be adequately understood purely in contemporary terms. It is here that the continuity and breadth of Tvedt's approach comes into its own, making the book invaluable for non-specialists trying to make sense of why a dam being built in Ethiopia resonates so loudly in Cairo and Khartoum.

Readers who enjoy digression will find plenty to relish in the book. The story is more of a woven tapestry than a straight line, one that allows the book to be read episodically, in fragments, rather than cover to cover. For some, this eclectic approach will be a delight, but it does come at a cost. The book's structure, in which the river is the protagonist and with the narrative following the water upstream, can make temporal change hard to follow. Readers can find centuries flashing by in only a few pages, and the book could benefit from a deeper exploration of the development of various societies and the lives of ordinary water users like farmers and fishermen. The text would have also been served better with the addition of more maps to anchor the reader in the shifting timelines and terrain of the Nile.

But these omissions are far outweighed by what the author has achieved with this book. Few writers can successfully survey millennia of history across such a vast geographical area and move so nimbly from ancient to modern geopolitics, while sparking the reader's imagination. Tvedt has produced something genuinely original, a river biography that is neither armchair travelogue nor specialist hydrology, but something more hybrid and ultimately more rewarding – a kind of love letter from a historian deeply enamoured by his subject.

His book insists that the river will outlast today's disputes, just as it outlasted those of the pharaohs and of colonial officers. Treaties, storage schemes, and nationalist projects have all tried to pin down the waters of the Nile, yet they keep insisting on their interdependence. For policymakers, the lesson is blunt: no amount of engineering or diplomacy can erase the basin's long memory. A peaceful co-existence between the nation states that lie alongside it will have to reckon with the layered history that Tvedt so vividly reconstructs, and with the river's refusal to fit neatly inside the borders humans have drawn.

Heidi Marttinen

Islamesque: The Forgotten Craftsmen Who Built Europe's Medieval Monuments.

Diana Darke

444 pages. Hurst Publishers. £25 hardback.

This beautifully illustrated book celebrates the unacknowledged legacy that Islamic architects and stonemasons have left on some of the major religious buildings of medieval Europe. It is a joyful antidote to the narrow, deterministic nationalism that has come to characterise our age.

Diana Darke is an Arabist and cultural historian who painstakingly renovated a traditional Ottoman merchant's house in Damascus. In the process she discovered that the distinctive zigzag patterns which decorated the courtyard walls of her house were in fact representations of the Egyptian hieroglyph for water. This led the author on what she calls a 'zigzag epiphany': a breathless detective trail across Europe and the Middle East, in which Darke links the same decorative motifs found in Egyptian Coptic monasteries, to embellishments found on royal buildings of the Umayyid period in today's Jordan. She continues tracing the distinctive chevron patterns through the dynamic cultural synthesis of the Fatimid dynasty, with its trading and commercial ties to Northern Europe, before finally reaching the stout Norman columns of Durham Cathedral in the chilly north of England, which are circled by an uncompromising pattern of the same repeating zigzags. It is quite a ride.

The idea of architectural appropriation and cultural cross-fertilisation is obviously not a new one. Many of the architectural treasures of the Middle East have themselves been crafted from the architecture of earlier, half-forgotten dynasties, but the author's examination of this phenomenon encompasses an extremely broad canvas.

From the Coptic Red Monastery of Sohag, in the Nile Valley, to the 12th century Cathedral of Lund as far north as Sweden, Darke embarks on an enthusiastic quest for architectural clues that takes in almost the whole of medieval Europe as she searches for patterns, botanical motifs, or images of fantastical birds and animals that can be traced back to earlier, Islamic or pre-Islamic iterations.

Darke's central thesis is that it was the skills and expertise of Islamic craftsmen that created the Western architectural style known as 'Romanesque'. The term relates to a form widely adopted across medieval Europe in the 11th and 12th centuries – the first pan-European architecture since Imperial Rome. It is characterised by load-bearing walls, rounded arches, thick columns and decorative arcades, and in Britain is generally referred to as 'Norman', in reference to the conquerors of 1066 who brought it with them.

As power ebbed and flowed across the European continent, the skilled masons capable of executing this elaborate and complex work simply followed the money, often – as in the case of the master masons of Sicily – deftly switching from Islamic to Norman paymasters as the balance of power shifted. With the gradual decline of Islamic rule in Sicily, the architectural motifs of Muslim and Christian communities became deeply intertwined as 'noblemen, merchants,

masons, craftsmen and pilgrims of all faiths moved freely between Fatimid and Norman spheres of influence.'

There were plenty of other vectors for this cross-cultural transmission: returning Crusaders, popular pilgrimage routes to Northern Spain, along with the not inconsiderable impact of seven centuries of Islamic rule on the south of that country, each one of which, she argues, left their mark on the medieval religious architecture of the British Isles.

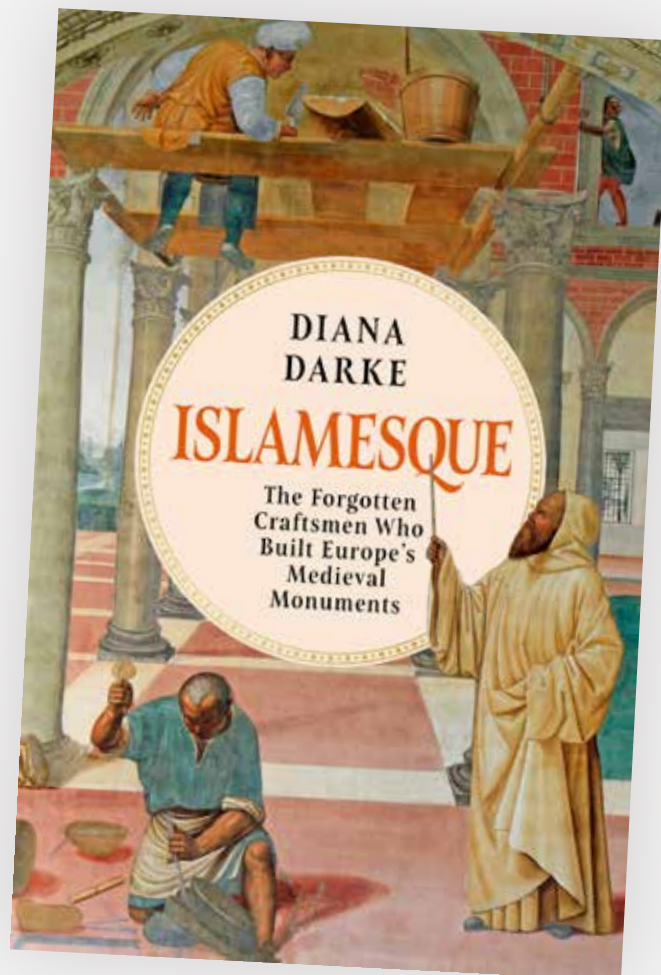
Darke's vast sweep encompasses some of Britain's most iconic buildings. The keep at the Tower of London, built in 1078, demonstrates Islamic influence she argues, in its elegant pairs of ajimez windows, each pair set in a blind recessed arch. She finds evidence of Islamic geometric design in the spectacular rose window of Westminster Abbey, and of Andalusian-style architectural motifs in some of the earlier parts of Canterbury Cathedral.

Darke even makes reference to tiny, rural, Kilpeck church in Herefordshire, long a source of mystery and wonder to this reviewer as a child, with its strange repeating patterns and carvings of mythical creatures, much of which she says is typical of Fatimid carving and 'recognisably Islamic in style'.

For Darke the ornamentation of this remote country church, along with that of thousands of other Norman buildings across Europe, 'all derive without exception from the Islamic world, brought in by the Normans influenced by the Arabic style they had learnt in Sicily, in the Italian mainland and Muslim Spain.'

After reading this exuberant book it becomes impossible to unsee the influence of what was at the time a far more advanced Arab culture on the buildings of medieval Europe. The cultural heritage of some of our most quintessentially British landmarks was far richer than we knew.

Tabitha Morgan-Butt



The voice of experience: the depersonalisation of banking

A personal view from George Kanaan

The impact of artificial intelligence or, more specifically ‘machine learning’ on banking practice is now being debated widely. The internet is full of invitations from technology firms and others to participate in seminars on the application of this game-changing new technology to banking. One of its many attractions is the potential it offers to make banking more efficient and to reduce costs through reducing headcount.

There are of course other benefits to the application of AI. Think of the value it will bring to the implementation of ‘Know Your Customer’ checks when onboarding new clients. Think also of the value to be added when using those tools in credit analysis. More interesting perhaps is their potential use by large banks in the management of the huge amounts of data they generate through their everyday activities.

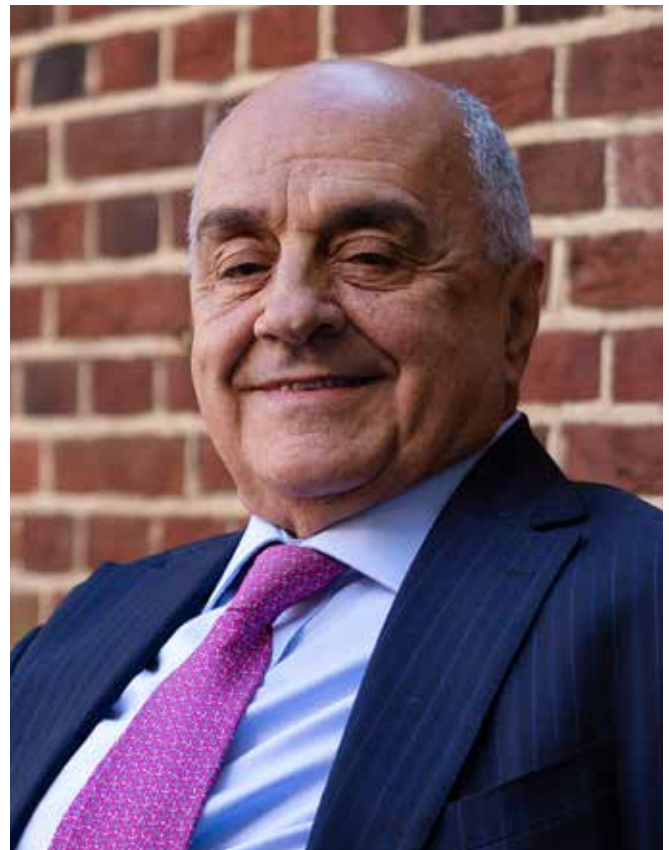
It is undeniable that a lot of bank work can be mind-bogglingly repetitive and that it diminishes those who do it, who inevitably become prone to making mistakes. Automation is a welcome reprieve from this work and can also add value to the result.

We live in a world that is already partially driven by AI. It’s implementation across the banking sector will inevitably continue. But will it be all to the good? How can we future-proof against unintended consequences and the possibility of risks that may not be yet evident? And ultimately how far do we want to go in replacing humans?

There are certainly limits. When I first joined Citibank, we were taught that banking was all about people, rather than the manipulation and analysis of numbers, important though they are. Banking was about emotional intelligence and the development of a certain amount of intuition that allowed one to cut through to the heart of people’s character, ambitions, and moral make up. There was an acknowledgement that for all the balance sheets and profit and loss statements banking was an art and not a science, one which required skill in understanding the people involved, be they subordinates, superiors, or clients.

But there is another trend in banking today that is also making banking an increasingly impersonal business. Intensifying regulation is turning banks into bureaucracies, organisational structures that remove personal contact, replacing it with control via sets of rules that bypass the need for personal reporting and personal responsibility.

An extraordinary set of regulatory ‘achievements’ has now replaced personal autonomy and responsibility and deprived managers of the flexibility they once enjoyed in many areas. Blanket regulatory codes are too often seen as a substitute for personal accountability and what was once known as individual moral fibre. They have shifted the emphasis away from interpersonal connection, with the result that managers do not need to understand either



their employees or their superiors to the extent that they once would. A manager’s main function has been reduced to policing the adherence of his staff to the rules. So what happens to the important qualities of initiative and creativity that we should be encouraging in our people? Not to mention moral backbone and the ability to make proper and fitting judgements on their own account. Will we succeed only in turning them all into compliant automatons?

‘Banking is all about people’ is a maxim that we should all subscribe to. No amount of analysis or regulation can replace the judgement of an experienced and well-versed relationship banker in understanding his or her client whilst trying to arrive at a credit decision. One of the main functions of management is to allow people to grow in their jobs and enjoy doing them. How is the next generation of bankers going to acquire the experience needed to make those calls if they are denied opportunities to refine their own judgements of someone’s character?

There is definitely a place for a robust regulatory scaffolding and for the additional analytical firepower that AI can bring. But trust and relationship building, based on human contact, need to be given pre-eminence in what bankers do. We must never lose sight of the importance of being able to look someone in the eye and trust our instincts.

George Kanaan
Honorary Chairman

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