Bahrain: The innovation-driven financial hub

Bahrain has cemented its position as the most established and progressive financial center in the Gulf Cooperation Council region by becoming the Middle Eastern nexus for fintech and innovative banking services.
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A pioneer in financial services for over 100 years, Bahrain is home to the most established and dynamic financial center in the Gulf Cooperation Council (GCC) region.

The financial services sector in Bahrain’s second-biggest industry after oil and gas, with the 376 financial institutions operating in the country contributing 17.3% of its gross domestic product in 2020, up from 16.1% in 2019. At the sector’s heart is a wide range of local, regional and global banks, which together managed total assets of $287.4 billion in 2020.

According to Adnan Ahmed Yousif, chairman of the Bahrain Association of Banks, the country stands out as a financial center due to the diversity of those banking operators. “It’s a complex and very mature market. For example, it’s the only financial center within the Arab countries that has such a vast diversity of Islamic banking products.” He also highlights the world-class standards the sector adheres to. “Our central bank is classified as one of the best in the Arab world, our legislative and supervisory frameworks are very good, as is the quality of our banking staff.”

Other advantages for a financial center include the stability and openness of Bahrain’s economic and business policies, a strategic location in the Middle East and North Africa (MENA), and the resilience of a banking system that has retained high levels of liquidity and capital adequacy throughout the COVID-19 crisis.

A further compelling advantage is that Bahrain, at the forefront of financial innovation, says Jamal Al Kishi, CEO and deputy group CEO of Gulf International Bank (GIB) BSC, the pan-GCC universal bank regulated in Bahrain, is home to the most established and dynamic financial hub.

GIB is illustrative of how leading banks with bases in Bahrain are evolving and embracing technologies. As well as shaping its business model to encompass more asset and wealth management, corporate finance, investment banking and high-end transaction banking, it has invested heavily in, the world’s first fully digital central bank’s fintech sandbox. These have won GIB international awards, such as Global Finance magazine naming it the Middle East’s Outstanding Financial Innovator in 2021. “We are making sure we are at the very vanguard of what’s happening in technology. I’m hoping that these rewards are only an initial indication of what’s to come in terms of our clients’ desire to continue to innovate,” Al Kishi explains.

Another important initiative for fintech, as well as other technology and smart-city startups, is the $100 million government-led Al Waha Fund of Funds that is boosting the region’s venture capital capacity. The investment manager of that fund is the state-owned Bahrain Development Bank (BDB), which is mandated to encourage and develop Bahrain’s small and medium-sized enterprises (SMEs) and entrepreneurs in all economic sectors.

Through a variety of effective financial services that are tailored to their needs, BDB is the country’s premier bank for SME and incubator services. In order to continue to sustainably meet the requirements of Bahrain’s SMEs and entrepreneurs, BDB is well on its way to becoming one of the most digitalized banks in the region; it is in the process of migrating its core banking system to a state-of-the-art cloud-based environment and will soon launch tips, an innovative end-to-end digital banking platform for its customers.

The entire sector is committed to maintaining the country’s position as a leading financial center, the Bahrain Association of Banks chairman says. “Banking is the engine of economic development. We have to push forward to grow the economy, the industry, the services and the business models.”

A pioneer in financial services for over 100 years, Bahrain is home to the most established and dynamic financial center in the Gulf Cooperation Council (GCC) region. that provides diverse financial products, services and bespoke solutions to its global clients. The regulatory framework is perhaps one of the most supportive in the region for innovators and entrepreneurs. For instance, we’ve past the stage of talking about open banking in Bahrain; it’s being commercialized as we speak.”

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Bank ABC blends retail and corporate services

The experienced and respected bank provides innovative wholesale financial products and services across a broad range of sectors and has a strong geographical presence.
Innovation and agility set banking benchmark

Jamal Al Kishi, CEO, Gulf International Bank (GIB) BSC and Deputy Group CEO, explains how the award-winning financial services bank coped with the pandemic

PR: You bring 25 years of region-specific banking experience to GIB. Since taking the helm, what have been your main achievements?
JAK: During a very tumultuous time coping with COVID-19 and issues associated with the uncertain economic forecasts, we’ve done a number of things. First and foremost, we thoroughly reviewed our strategy and business model. As a result, we’ve shifted emphasis toward a model that will reduce our reliance on funded credit to generate revenue, to a more balanced mix of revenue sources. These include asset and wealth management, investment banking and higher and more diversified banking business lines.

PR: How have you managed to transform GIB into a very ambitious strategy for transaction banking, including trade finance, cash management and products that fall into the realm of transaction banking?
JAK: We now have MEEM, which is a digital, branchless, fully digital retail bank. Our aim is to provide a world-class, digital banking experience to our customers. E-commerce companies are bankers and payment fintechs are bankers. The barriers to entry have almost vanished and the diversity of players encroaching on the industry is absolutely enormous. Traditional, conventional banks have to be very nimble, entrepreneurial and innovative.

I’m hoping that these awards are only an initial indication of what’s to come in terms of our desire to continue to innovate, to make our business model nimble and move forward with confidence. The pandemic accelerated some innovative trends already underway in Bahrain; it put some rocket fuel behind trends including digitalization and advances in technology.

PR: What is your final message to customers and other stakeholders in the industry? What is your final message to customers and other stakeholders in the industry?
JAK: Bahrain is a very unique position in the region. The barriers to entry have almost vanished and the diversity of players encroaching on the industry is absolutely enormous. The bank’s financial results illustrate this: for example, in 2020 it posted a profit for the second year in a row and its capital adequacy ratio rose from 32.6% to 63.84% year on year.

A key aspect of this transformation is that BDB is positioning itself as one of the most digitalized banks in the region. It is currently in the process of migrating its core banking system to the cloud and is about to launch a new digital banking platform for customers. This will enable SME loan procedures to be fully automated from client onboarding through to loan disbursement and documentation. As a result of these digitalization measures, BDB will be able to carry on meeting the unique and evolving needs of Bahrain’s SMEs and entrepreneurs by providing enhanced and faster end-to-end digital experiences, while maintaining the best-in-class governance and compliance standards it is renowned for.

Established in 1992, Bahrain Development Bank (BDB) is a private sector entity that plays a crucial role in nurturing the economy. The bank’s contribution, as the bank sees it, is to promote Bahrain’s entrepreneurial and innovation ecosystems by supporting the country’s enterprising professionals and young people through their entire business journey.

Along that journey, BDB has invested in Tinnovas, an angel investment company that supports startups with seed funding. In addition, the bank operates three incubators, which benefited 155 emerging businesses in 2020. One of these is dedicated to female entrepreneurs and offers them highly subsidized business spaces.

All of BDB’s activities are fully aligned with the three guiding principles of Bahrain’s Economic Vision 2030 development plan: sustainability, fairness and boosting the competitiveness of the private sector.

PR: What is your final message to readers who might be contemplating investing in Bahrain or doing business there?
JAK: Bahrain is a wonderful place, you will not meet kinder, more down to earth, warm, hospitable, committed and hard-working people — with all due respect to other places. There is a very supportive government and regulators with access to some of the most lucrative markets in the region. It’s one of the world’s best kept secrets.

PR: What are your plans for the future?
JAK: Bahrain Development Bank will continue to promote Bahrain’s entrepreneurial and innovation ecosystems by supporting the country’s enterprising professionals and young people through their entire business journey.

Bahrain Development Bank’s headquarters in Manama

The trusted partner of SMEs: Bahrain Development Bank in 2020

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<tr>
<th>Bahrain's leading banks</th>
<th>SMEs financing and incubation services</th>
<th>Total assets</th>
<th>Net profit</th>
<th>Capital adequacy ratio</th>
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<td>Bahrain Development Bank (BDB)</td>
<td>$600,749,781</td>
<td>$1,493,366</td>
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<td>Bahrain's first SME-focused investment manager</td>
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The sector is transforming in very profound ways and competition is changing almost by the day. What is banking today? You can’t just say banks. Today, retailers are bankers, coffee shops are bankers, e-commerce companies are bankers and payment fintechs are bankers.

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under the government’s liquidity support schemes and BDB has made a quantum leap in its disbursements to SMEs, which rose by 52.51% in 2020 to 63.84% year on year.

BDB is also meeting its vision to be a sustainable and socially responsible institution. Along that journey, BDB has invested in Tinnovas, an angel investment company that supports startups with seed funding. In addition, the bank operates three incubators, which benefited 155 emerging businesses in 2020.

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BAHRAIN’S LEADING SME BANK

licensed by the Central Bank of Bahrain as a Conventional Retail Bank