



# 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

# BAHRAIN



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## A glimpse into the future

Gulf International Bank, helping to create the future of financial services.

## Bahrain: The innovation-driven financial hub

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 is 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 \$207.4 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 these 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 va-

riety 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."

**Technology and digitalization are going to transform the world. We're looking forward to embracing this and making the business experience of our clients even better."**

Khaled Kawan, Group CEO, Bank ABC

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 is 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

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're past the stage of talking about open banking in Bahrain: it's being commercialized as we speak."

GIB is illustrative of how leading banks with bases in Bahrain are evolving and embracing technologies. As well as shifting its business model to encompass more asset and wealth management, corporate finance, investment banking and high-end transaction banking, it has invested heavily in meem, the world's first fully digital

Shariah-compliant retail bank, and other digital banking solutions.

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 desire to continue to innovate," Al Kishi explains.

Another preeminent institution that is driving the industry forward is the Arab Banking Corporation (Bank ABC) BSC, an international bank headquartered in Bahrain with a network that spreads over five continents. "We have sharpened our business model, reconsidered our geographies and invested in our products and technology to better serve clients



Manama, Bahrain

and be the bank naturally geared to capture the business flow across a widespread region," reveals Khaled Kawan, Bank ABC's group CEO.

The bank has prioritized digitalization in its core wholesale banking business, payments and consumer banking. One of its most acclaimed innovations has been the establishment of ila Bank, Bahrain's first fully mobile-only bank, Kawan says. "It launched just before the pandemic, which accelerated the digital agenda. As a result, the key performance indicators we set ila Bank for 2026 were achieved by mid-2021."

Bank ABC is now looking to expand ila Bank's technology into other MENA territories such as Egypt, where it recently acquired BLOM Bank Egypt in order to reinforce its retail presence in the region. "Technology and digitalization are going to transform the world. We're looking forward to embracing this and making the business experience of our clients even better," Kawan asserts.

### The regional nexus for fintech

Bahrain's focus on innovation extends throughout its financial ecosystem, which includes many local and international entrepreneurs. MENA's first and largest fintech hub is located there, for example, while by September 2021, 12 companies had graduated from the central bank's fintech sandbox.

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 capability. 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 tijara, 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."

# 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

**PR:** You joined Bank ABC in 1991 and became group CEO in 2013. What has your personal experience been over the past 30 years and how has Bank ABC evolved?

**KK:** Bank ABC was established 40 years ago with a capital of about \$1 billion — a quite significant amount at the time. When I joined, the bank had completed its first decade. I had the privilege to be close to the founders and those who had the first dreams and first aspirations.

Three sovereign funds — Central Bank of Libya, Kuwait Investment Authority and Abu Dhabi Investment Authority — came together to build a bank. What else can you add to the scenery? The founders' ambition was not to create another bank, but to complement the local banks with an international Arab bank that could support them in the international markets by providing an alternative to other international banks.

The recent pullout of a number of international banks from the Middle East and North Africa (MENA) has given Bank ABC more emphasis to its raison d'être. We have sharpened our business model, reconsidered our geographies and invested in our products and our technology to better serve clients and be the bank naturally geared to capture the business flow across a widespread region.

We're not an equity bank and we're not a local bank, as our business in Bahrain is quite limited because of the nature of the regulation in Bahrain, so all our business is outside. By ensuring the group footprint works together, through a very connected matrix, we attract clients and ensure the business within the territory we serve is captured within the entirety of Bank ABC.

**PR:** What does your recent acquisition of BLOM Bank Egypt SAE mean for you? What impact will it have on your operations and strategic intentions?



**Khaled Kawan**  
Group CEO, Bank ABC

**KK:** Our strategy has always been to reinforce our presence in the retail business in the Arab world with a target that fits within the size of Bank ABC. It must also be accretive to our bottom line and increase the mix of retail funding deposits. As a wholesale bank, we are funded by our corporate customers.

The Egyptian market is very deep and very hungry for digital solutions. Now we've proven ourselves and seen that our technology is working with absolutely no glitches, it's a matter of parachuting it into a market that has the depth and the propensity to support these types of products.

**PR:** Please briefly outline your strategic vision and what you most hope to achieve in the medium to long term?

**KK:** We have four objectives. The first is to accelerate the build of our digital bank of the future via a three-prong strategy: expanding our digital-only consumer bank, digitizing wholesale banking, which is our core business, and building our payment and fintech arm. The second pillar is to continue to refocus our wholesale banking business to unlock performance.

Thirdly, we want to complete the integration of our business in Egypt,



Now in its fifth decade, Bank ABC boasts a network spread across five continents

because that would be the flagship of our MENA business. We have acquired BLOM Bank Egypt, but acquiring a bank is not the end of the story. We need to leverage that platform by injecting the group's technology, know-how and products into that platform.

Fourthly, as we are really growing the digital agenda and going on to the cloud, risks are created as well. We need to immediately increase our cybersecurity and business continuity discussions. So, we have a pillar on operational resilience to make sure that all the services we provide to clients will not be disrupted, that they will be maintained and continued.

These are the four business pillars or strategic thinking I'm trying to

of the most challenging jurisdictions in the Arab world. For an American company that is selling its products or exporting its products to the region, all they need is an expert behind them and with them, right there, close to them in their backyard, to advise them on how to do business.

The reputation of the branch has been immaculate, our relationship with the regulators is one of the best, and our relationship with the U.S. corporates has been second to none. We've been helping them in all pockets of the Arab world and will continue to provide them with this know-how and expertise.

I tell my team to remember two key words: stability and speed. Speed, because we need to accelerate devel-

**“The reputation of our New York branch is immaculate, our relationship with the regulators is one of the best, and our relationship with the U.S. corporates is second to none.”**

Khaled Kawan, Group CEO, Bank ABC

align everybody across, so we think together to move together to achieve them within the next year and a half. Then we'll take a pause and say: now we have achieved our digital transformation, our wholesale bank is in shape, our retail business is mature and we have a platform, what is the next stage?

**PR:** What opportunities for investment do you see in your sector from the U.S. into Bahrain?

**KK:** We've had a branch in New York for 40 years. While we don't hold ourselves as a solution for everyone in New York, we bring to New York something unique: our knowledge of the Arab world and our knowledge

opment; stability as our feet should be on the ground. Risk management is extremely important, as is operational resilience.

**PR:** What final message would you like to send to the readers of Foreign Policy?

**KK:** We are in a very exciting era. Technology and digitalization are going to transform the world. The crisis we've been through, as painful as it is, will be a major accelerator: the way we do our work, the way we serve, the way we handle ourselves and the way we live. We're looking forward to embracing all this and making the business experience of our clients even better.



Bank ABC acquired BLOM Bank Egypt to create a new banking powerhouse in the country

## Digitalization drive creates solid platform for success

Despite the disruption from COVID-19, Bank ABC proved its resilience with a stellar set of results

With its proud roots stretching back more than 40 years, Bank ABC has long been at the forefront of Bahrain's banking and financial services sector and helped the industry achieve many milestones.

This extremely valuable experience meant it has handled the widespread economic disruption triggered by the COVID-19 pandemic far more fluently than some of its competitors. A glimpse at Bank ABC's latest financial results illustrates this point sharply. The group delivered improved profitability to shareholders during January-September 2021, benefiting from strong performance across its core markets.

**“Our challenger bank launched just before the pandemic, which accelerated the digital agenda. The KPIs we set ila Bank for 2026 were achieved by mid-2021.”**

Khaled Kawan, Group CEO, Bank ABC

In addition, the group successfully completed the acquisition of BLOM Bank Egypt SAE (BBE). The Egyptian entity enjoys a national presence through 41 branches, assets of \$3.1 billion, deposits of \$2.7 billion and 1,000 employees as of the end of September 2021.

The firm's ambitious strategic transformation on various

fronts was accelerated by the crisis in many ways. Payment and digital consumer banking capabilities gained steady traction, while — mobile-only banking entity — ila Bank's client experience, customer base and deposits grew strongly during an innovative product rollout, with Apple Pay capability a notable addition.

“We are extremely pleased with our performance for the nine months of 2021,” said Bank ABC's group chairman, Saddek Omar El Kaber. “The group successfully and steadily resumed its path to normal profitability while the execution of the strategy has accelerated, demonstrating the depth of the

group's resilience. We look forward to concluding the year on a strong note having successfully navigated through the challenges of the pandemic over the last 18 months and having completed the acquisition and consolidation of BBE.”

Bank ABC was one of the first industry players to identify the huge and untapped potential



Bank ABC launched its digital, mobile-only consumer bank in November 2019

of fintech, with the company making digitization a priority in its comprehensive strategic plan as it evolves its portfolio of services to cater for customers' demands.

The bank has also been heavily involved in the cutting-edge The Middle East and Africa FinTech Forum, which has been hosted in Manama since 2017, under the patronage of the Central Bank of Bahrain.

Bank ABC's group CEO, Khaled Kawan, says the forum has given the bank access to fintech experts, which has been mutually beneficial for all parties. “Between the annual con-

ferences we continue to have dialogue with these fintech experts,” he states.

“Our challenger bank — ila Bank — launched just before the pandemic, which then accelerated the digital agenda by miles. As a result, the key performance indicators we set ila Bank for 2026 were achieved by mid-2021. Our prototype has proven its innovation and excellence in Bahrain for two years and we are ready to enter another market. We hope to hear some good news on another market shortly, so expansion of our digital-only consumer bank is a priority.”

### Bahrain's Bank ABC at a glance

<b>Talented employees</b> More than 4,000	<b>Total assets</b> \$34.4 billion as of September 2021
<b>Well-established name</b> Founded in early 1980	<b>Principal shareholders</b> KIA and Central Bank of Libya
<b>Wide geographical reach</b> Operates in 15 countries	<b>BLOM Bank deposits</b> Around \$2.7 billion
<b>Authorized capital</b> \$3.5 billion	<b>COVID-19 response</b> Resilience was key



# 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 regional 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 pandemic, we've done a number of things. First and foremost, we thoroughly reviewed our strategy and business model. As a result, we're shifting emphasis to a model that will reduce over-reliance on funded credit risk to generate revenue, to a more balanced mix of revenue sources. These include asset and wealth management, investment banking and higher and more diversified transaction banking business lines.

Secondly, we formed a very ambitious strategy for transaction banking, including trade finance, cash management and products that fall into the realm of transaction banking. Thirdly, we introduced economic value added (EVA) as a key performance measurement metric. That was significant as we used to assess our performance, perhaps, without taking into account certain return expectations by shareholders. Now, we measure true economic profitability rather than accounting profits that may not capture the very essence of economic profitability.

Fourthly, we have developed a new framework for client segmentation, especially in the institutional space, so we have more clarity on how to classify clients and manage relationships with them, which is very important. We are also working on a revamp of our strategy and transformation departments for the purpose of enhancing execution and accountability thereof.

We've also worked on retail digital banking. GIB was one of the first institutions in the Gulf to establish a branchless, fully digital retail bank. We now have meem, which is a digital retail banking franchise.



**Jamal Al Kishi**  
CEO, Gulf International Bank (GIB) BSC and Deputy Group CEO

**PR: Bahrain has one of the highest concentrations of financial institutions in the world. What are GIB's competitive advantages and how does it stand out from the competition?**

**JAK:** Bahrain was one of the first financial centers in the Arab world, not just in the Gulf Cooperation Council (GCC), so the density of banks is quite high. GIB occupies a very unique position in the region. The bank was established in 1975 by the GCC countries to provide financial services that were perhaps unavailable or not capable of being provided by the domestic institutions in the GCC: more sophisticated, more global in nature. It was meant to be a regional institution with the capacity and wherewithal to be a global player. That history and pedigree are a major competitive advantage.

Secondly, we've always taken a global perspective, hence we established an international presence in London in 1978 and in New York in 1980. We then began to establish offices and branches across the region, including in Abu Dhabi in 1990 and in Riyadh in 2000 — a branch that was converted into a full subsidiary in 2018. We established GIB Capital, an investment banking and advisory



Gulf International Bank (GIB) BSC is an award-winning financial services player

boutique firm in Riyadh in 2008. In 2014, our digital retail bank, meem, was established in Saudi Arabia and in Bahrain in 2018. That gives us a very important edge in terms of being competitive. Given we are very regional and cover Oman, Kuwait, Qatar and Egypt, with a very good track record in understanding what our clients and regulators expect, GIB has a competitive edge.

**PR: GIB won Global Finance Magazine's "The Innovators 2021" award, and titles of "Outstanding Financial Innovator" and "Outstanding Innovator Cash Management". What strategies do you attribute to this success?**

**JAK:** Being entrepreneurial and innovative have been characteristic to GIB for a long while. Our pioneering spirit of wanting to be digital, innovative and entrepreneurial is in our DNA.

**“The pandemic accelerated innovative trends already underway in Bahrain; it put some rocket fuel behind trends including digitalization and advances in technology.”**

Jamal Al Kishi, CEO, Gulf International Bank (GIB) BSC and Deputy Group CEO

These awards reflect some of the good work done over the last couple of years, in terms of making sure we take our aspirations forward in a very tangible way when it comes to our transaction bank, retail banking and the entire bank as a whole.

Some of the work being done will not be visible to the outside world for a while, but we are moving very ambitiously towards digitalization, making sure we are at the very vanguard of what's happening in technology in the financial services industry.

**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.

# Facilitating the development of SMEs and entrepreneurs

Bahrain Development Bank has a dynamic and effective strategy for stimulating entrepreneurial activity and fostering the growth of small- and medium-sized firms in Bahrain

Established in 1992, Bahrain Development Bank (BDB) is playing a crucial role in nurturing the country's economic growth and assisting its recovery from the pandemic. The national development bank is exclusively focused on encouraging and developing Bahrain's small- and medium-sized enterprises (SMEs) and entrepreneurs through a variety of financial services that are specifically tailored for them.

As the country's premier SMEs bank, those services have provided a lifeline to many smaller businesses during the COVID crisis. For example, the bank has been the focal point for assisting SMEs

private sector so that it drives the economy. The crux of BDB'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 Tenmou, 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.**

under the government's Liquidity Support Scheme and BDB has made a quantum leap in its disbursements to SMEs, which rose by 179% in 2020 to \$281 million.

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

and facilities to run their businesses. Its second incubator is open to all entrepreneurs and provides similar services, while the third is focused on the agricultural sector. As part of its wide-ranging portfolio of services, BDB also channels financing to startups and SMEs to help them grow within or outside of Bahrain.

In order to expand and create



Bahrain Development Bank's headquarters in Manama

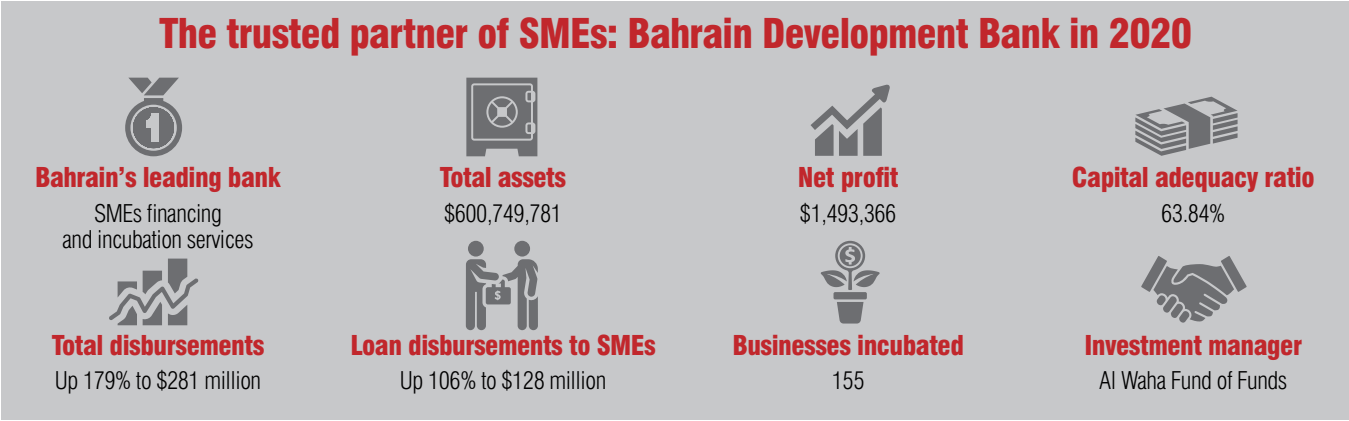
access to funding in Bahrain and across the wider region, in 2018 BDB became the investment manager of the \$100-million Al Waha Fund of Funds aimed at building Bahrain's venture capital capability and creating access to funding, ultimately boosting the startup ecosystem in Bahrain and the Middle East and North Africa (MENA) region.

This government-led scheme is investing in technology venture capital funds that invest in innovative tech entrepreneurs across the MENA region. To date, about 60% of the fund has been successfully deployed and the bank has cemented its reputation for leading the way in helping Bahrain's entrepreneurs and SMEs to become regionally competitive businesses.

BDB is also meeting its vision to be a sustainable industry leader. In recent years, it has undergone a significant operational transformation that has allowed it to deliver stronger, efficient and more sus-

tainable performance and growth. The bank's financial results illustrate this: for example, in 2020 it posted a profit for the second year running and its capital adequacy ratio rose from 52.51% 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: tijara. 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.





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