THE FUTURE OF FINANCE

DIFC

THE CHANGING FACE OF BANKING: BUILDING RESILIENCE THROUGH CHANGE

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CEO'S MESSAGE

The global banking industry stands at a defining moment. Never have the forces shaping its future been more complex – new technologies such as AI and digital assets are shaking up the traditional foundations of banking, transforming how value is created, how risks are managed and how clients interact with financial services.

It is not an exaggeration, then, to say that the sector is entering its most significant structural shift since the 2008 global financial crisis, one that will redefine performance and resilience for the decade ahead.

A new competitive dynamic is now taking hold. Profitability pressures on traditional banks and the rapid growth of digital-native challengers are reinforcing each other, creating a cycle in which each side pushes the other to innovate faster. Challenger banks are capitalising on sophisticated, AI driven platforms to set new standards in banking services as they race to match the scale, trust and regulatory discipline of established players. Their rapid growth is heightening the urgency on incumbents to digitise at pace and close structural gaps. This interplay is accelerating the transformation of operating models across the sector.

The banking institutions that endure, I believe, are not necessarily the largest or most profitable, but those which can absorb disruption, adapt and evolve.

This transformation is unfolding just as the geography of global finance is shifting. Emerging markets are powering long term demand, and new client groups, from entrepreneurs to family offices, are reshaping revenue pools. In this context, hubs like Dubai play a pivotal role. DIFC's innovation enabling regulatory framework, AI native infrastructure and deepening ecosystem give global institutions a strategic base to connect East and West and access high growth markets across Asia, the Gulf and Africa.

This report is the second in a four-part series on the Future of Finance that will be published over the course of 2026. It draws on insights from a high-level roundtable held at Dubai International Financial Centre (DIFC) at the start of the year, which brought together senior financial services leaders to discuss the key themes shaping the Future of Finance. We have also leveraged network-based research and findings from direct interviews with leaders across the financial sector.

The report also offers practical guidance for banks, regardless of their size, location or history, on how to embrace change and seize the opportunities created by the transformative forces that are reshaping the banking sector. Banks that do so will not only survive the coming decade of change, but build the resilience needed to thrive in this new era.

His Excellency Arif Amiri
Chief Executive Officer
DIFC Authority

EXECUTIVE SUMMARY

The global banking sector, long dominated by traditional institutions with stable customer bases and reliably strong profit margins, is now being reshaped by the rise of digital-native banks.

Built on AI-driven, cloud-first and asset-light models, a new generation of challenger banks is setting new standards for speed, personalisation and cost efficiency – and in doing so, exposing the limitations of traditional operating models. Their rapid growth is reinforcing pressures on established institutions, accelerating a shift in which both sides must innovate faster to stay competitive.

This new dynamic is emerging at a time when the global banking sector is operating at the height of its profitability.

Despite this strength, traditional banks face a structural productivity problem and a looming margin squeeze that threaten long-term performance. Without decisive transformation, industry profit pools could fall by USD 170bn by 2030, pushing many institutions below their cost of capital.[1]

AI offers the clearest path out of this trap. It is rapidly becoming core infrastructure, already delivering the productivity uplift the sector urgently needs and building the foundation of the next-generation operating model that digital-native banks have turned into the industry's new template.

Their digital platforms offer instant onboarding, frictionless cross-border payments, real-time financial insights and integrated access to digital assets. Their ability to anticipate the needs of increasingly digital-savvy customers has turned seamless, predictive and hyper-personalised services into a standard feature of modern banking.

For banks of all types, investing in these capabilities is now central to broadening client bases, boosting revenues and unlocking growth in underpenetrated markets, especially in emerging economies where rising incomes, expanding middle classes and deepening trade and investment flows are shifting demand patterns.

This transformation also reshapes talent requirements. Financial services professionals must rapidly upskill in AI disciplines, as banks shift staff from routine tasks to higher-value advisory, oversight and innovation roles.

Geography matters too. Dubai's position as a bridge between East and West enables banks to connect emerging FinTech innovation with global capital and reach high-growth markets across Asia, the Gulf and Africa.

Banks that move early and decisively will not only defend profitability but unlock new client groups, new regions and frontier asset classes. In doing so, they position themselves to capture a larger share of global finance.

Key findings

→ **Challengers define next generation banking.**
Built on cloud and AI driven platforms, digital-native banks set the new standard in cutting-edge banking services, exposing the limitations of traditional models.

→ **Competitive pressure intensifies.**
Established banks face pressures from structurally weak productivity, accelerating AI disruption and intensifying competition, making the case for modernisation unavoidable.

→ **Emerging markets drive long term demand.**
Rising incomes, an expanding middle class and surging intra EM trade are driving sustained growth in lending, payments and wealth services.

→ **AI is fast becoming core banking infrastructure.**
Institutions that modernise data systems and embed AI across the value chain gain speed, efficiency and resilience.

→ **Data architecture determines winners.**
Their use of real-time insights, bespoke portfolios and access to new asset classes strengthens client loyalty and unlocks new revenue streams – operating models that digital-native challengers have already turned into the industry's playbook.

→ **Dubai emerges as a leading global business hub.**
DIFC's pro-innovation operating framework, laws, regulations and AI native infrastructure give banks a strategic gateway to expand into Asia, the Gulf and Africa.

→ **Digital assets open frontier opportunities.**
Stablecoins, tokenisation and next gen digital infrastructure offer faster payments, new treasury models and fresh revenue streams.

INTRODUCTION

The banking industry is undergoing a period of profound transition. The rapid rise of digital-native banks, advances in AI and other technology, evolving client expectations and the growth of new regions and client groups are reshaping the environment in which financial institutions operate.

This backdrop demands that banks rethink long-standing assumptions about how they create value, manage risk and serve an increasingly diverse client base. The coming years will require a blend of resilience and reinvention as institutions navigate new competitive pressures, expanding growth markets and rapidly evolving customer behaviours.

This is the second report in the Future of Finance series. Its findings are informed by a high-level roundtable held at DIFC in January 2026. Attended by over 20 senior finance and business leaders, the in-person gathering offered a forum for candid discussions about the opportunities and challenges shaping the future of finance.

While these discussions were invaluable, no comments from the roundtable are attributed to any individual or organisation. Insights from the roundtable have been augmented by network-based research, along with interviews with distinguished industry experts, including: Ambareen Musa, CEO of GCC, Revolut and Rohit Garg, Chief Digital Officer & Group Head of Retail Products, Emirates NBD, and Fernando Morillo, Group Head of Retail Banking, Mashreq.

CHAPTER 1: GLOBAL BANKING SNAPSHOT: A BEHEMOTH IN TRANSITION

Global challenger banks – the likes of Revolut, N26 and SoFi – represent a relatively small slice of banking by assets, managing tens of billions of dollars compared with the trillions held by traditional institutions, which remain the backbone of the financial system.

Yet their rapid ascent is exposing structural weaknesses that established institutions have carried for years, from sluggish productivity to ageing operational systems unfit for an AI era.

As digital banks look to capture a growing share of global banking revenues, opportunities remain abundant.

Despite this disruptive undercurrent, the industry continues to be one of the world's most powerful profit engines. Banks generated USD 5.5tn in revenue after risk cost in 2024, with net income reaching USD 1.2tn — the highest total ever recorded for any industry.[2]

Their strength reflects a favourable interest-rate environment, resilient global growth, particularly in emerging markets, and diversification of fee income into high-margin wealth management and other advisory businesses.

Strong demand from emerging markets supports the global banking sector by fuelling revenue growth through higher lending, payments and trade finance needs. Emerging economies are outgrowing their developed counterparts with GDP expansion of 3.9 per cent in 2026.[3] Growth of middle-class consumers should also drive higher banking demand in emerging markets. The middle-class population is set to double over the next decade, reaching over 670mn households by 2035.[4]

What's more, growing intra-EM trade spurs demand for expanded payments systems, cross-border banking services and more sophisticated financial infrastructure to handle escalating transaction flows. Merchandise trade among developing economies grew to USD 6.2tn in 2024, capturing a quarter of total global trade, compared with just USD 700bn at the start of the century.[5] Asia directs 59 per cent of its exports to regional partners.[6]

This is the vibrant market challenger banks are well positioned to capture — a fast-growing, digitally engaged client base operating across diverse economies and jurisdictions.

1.1
Triple pressures for established players

The expansion of challenger banks exposes the pressures bearing down on traditional institutions: weak productivity, accelerating AI disruption and rising competition from digital-native banks – all of which make modernisation more urgent than at any time in the past decade.

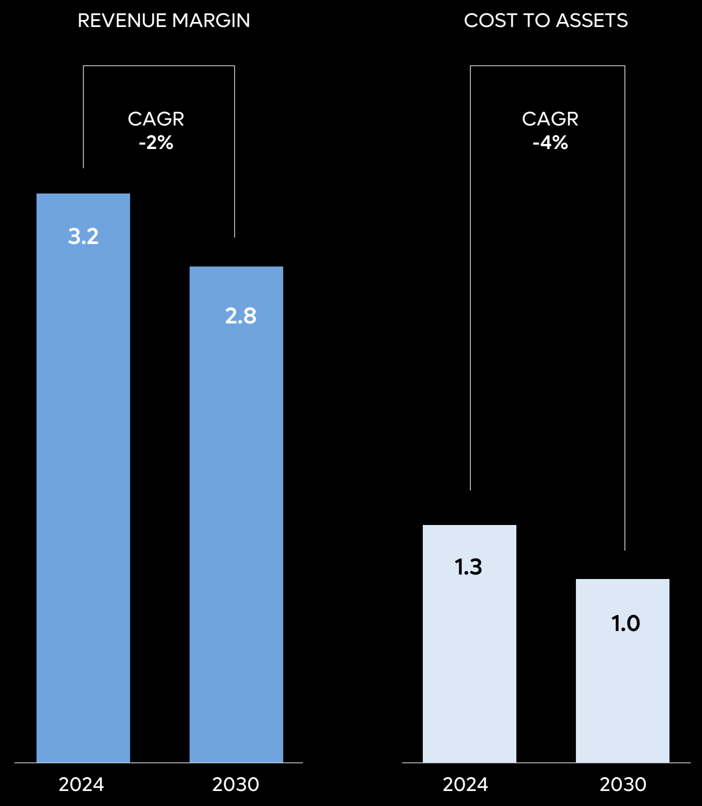
Capital markets pricing already signals this uncertainty. The global banking sector trades at around 1.0 times book value – meaning the stock market values banks at no more than the net assets on their balance sheets. This is almost 70 per cent below the average valuation multiple of other industries, reflecting investor scepticism about the durability of current earnings and the banking sector's ability to adapt.[7] European banks lag further, typically trading at price-to-book ratios of around 0.8-1.0, compared with roughly 1.2-1.5 for US peers, reflecting weaker profitability and more fragmented markets.[8]

A sobering estimate by McKinsey shows bank profit pools globally could decline by USD 170bn, or 9 per cent, by 2030 if banks don't change their business models to adapt to AI-driven digital transformation.

This could reduce the average return on tangible equity (ROTE) by 1-2 percentage points and push many banks below their cost of capital. This event typically triggers equity sell-offs or forced divestments as it effectively means shareholders will be losing value over time, even if the bank remains solvent. To maintain current ROTE margins, banks will need to cut costs about twice as fast as their revenues decline. This has become all the more urgent as digital-native banks ramp up the pressure by setting new cost and service standards that established institutions must now match to stay competitive.

Figure 1: Revenue and cost to assets needed to maintain current return on tangible equity (ROTE) levels for an average global bank.[9]

FIGURE 1:
REVENUE AND COST TO ASSETS NEEDED TO MAINTAIN CURRENT RETURN ON TANGIBLE EQUITY (ROTE) LEVELS FOR AN AVERAGE GLOBAL BAN [9]



TO MAINTAIN CURRENT ROTE MARGINS, BANKS WILL NEED TO CUT COSTS ~2x AS FAST AS REVENUES DECLINE

1.2
Challengers: setting the template

Challenger banks, built on lean, streamlined operating models, set the global playbook for how to achieve productivity gains by embedding AI deeply across their systems.

Their digital platforms take on repetitive, time-consuming work faster and more accurately, allowing staff to focus on higher-value tasks. AI accelerates loan approvals, KYC checks and fraud or cyber-security monitoring, reduces errors, and lets the same number of employees do more with less manual effort, lowering both labour and compliance costs. It also automates routine coding tasks and catches errors early, so in-house IT engineers spend less time writing, debugging and rewriting code.

This approach stands in contrast to traditional banks, which continue to grapple with sluggish productivity – declining by an estimated 0.3 per cent a year on average since 2010.[10]

As AI disruption widens, introducing both opportunity and pressure, technology spending has become one of the fastest-rising costs for banks of every kind. Incumbents are pouring money into modernising old systems, while digital-first challengers race to stay ahead with novel and innovative tools, such as agentic customer-service assistants, real-time AI investment managers, automated retirement planning engines and predictive travel services.

The scale of that investment is striking: global enterprise IT spending in the banking and investment services industry is forecast to exceed USD 1.1tn by 2029, up from an estimated USD 760bn in 2025, growing at a five-year CAGR of 8.7 per cent on a constant currency basis.[11]

Yet the payoff appears promising.

AI tools are estimated to help banks save between 20-40 per cent in software development spend by 2028. On a per-engineer basis, cost savings are estimated to exceed USD 1mn by 2028.[12]

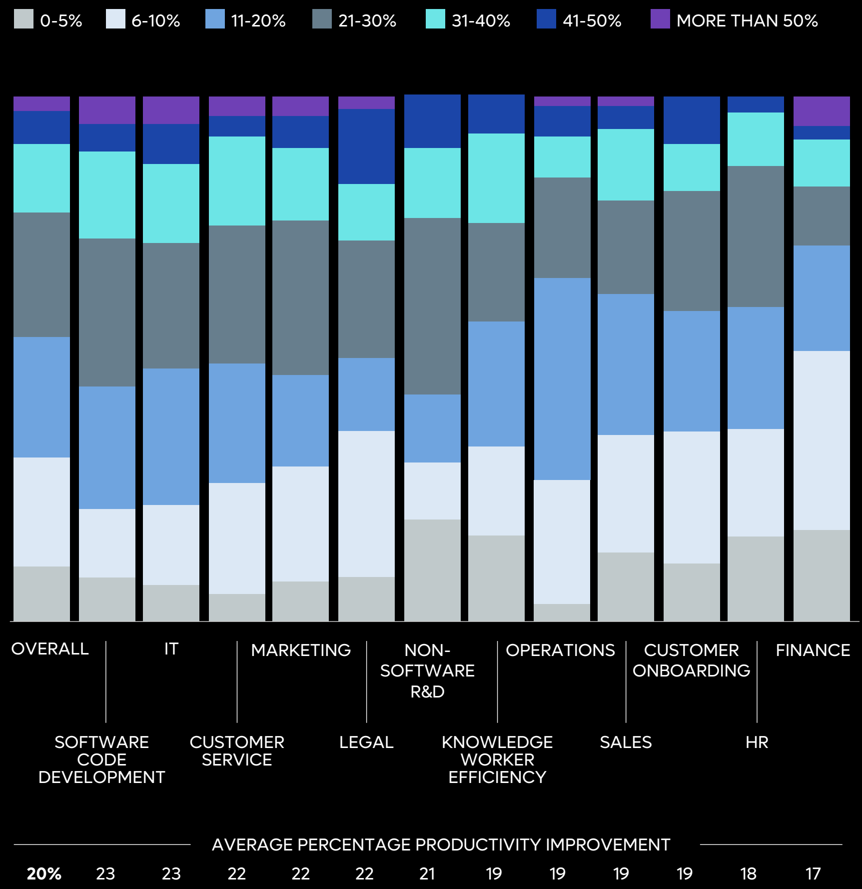
Research shows increasing AI adoption and gaining digital human capital – or the skills needed to thrive in the digitalised era – alongside other intangible assets in the process, should help the banking sector boost productivity by around 10 per cent and improve overall performance.[13] Another study shows financial services firms are expected to benefit from an average 20 per cent productivity gain in software development, customer service and other core functions.[14]

Figure 2: **Productivity improvements from generative AI**[15]

According to estimates by the Federal Reserve Bank of St Louis, banks and insurance firms are already seeing higher labour productivity growth of more than 6 percentage points

FIGURE 2:
PRODUCTIVITY IMPROVEMENTS FROM GENERATIVE AI [15]

DISTRIBUTION OF PRODUCTIVITY IMPROVEMENTS FROM GENERATIVE AI AMONG FINANCIAL SERVICES FIRMS



SOURCE: BAIN GENERATIVE ARTIFICIAL INTELLIGENCE SURVEY, JULY 2024 (N=109) above their pre-pandemic trend as a result of generative AI adoption – making the sector one of the fastest-improving in the economy.[16]

Technology adoption offers traditional banks a pathway to retain relevance and gain resilience. Those emerging from the AI disruption may be leaner, but jobs will come under pressure. In the US, 40 per cent of work hours in banking are automatable with AI and cloud-native operating models, with the greatest exposure in operations, compliance and administrative processing.[17] In Europe, over 200,000 banking jobs, or 10 per cent of the sector's workforce, are at risk, affecting back and middle-office roles, risk management and compliance positions.[18]

To survive, workers need to upskill towards higher value tasks – for example, data analysis client advisory augmented by data-driven insights or roles involving oversight of AI algorithms, governance and ethical use design.

1.3
New demographics, new opportunities

The very technologies which cut costs for incumbents are arming a band of digital-native challenger banks, perfectly positioned to capture millennials and Gen Z – the most digitally engaged and influential emerging cohorts, and soon the beneficiaries of one of the largest intergenerational wealth transfers in history.

These younger demographics demand seamless mobile-first experiences: instant account opening, frictionless cross-border transfers, bespoke AI-driven advice, and sophisticated wealth management, which make traditional deposit and lending products look too basic and outdated by comparison.

Challengers leverage AI tools to predict needs before clients articulate them, delivering fast and hyper-personalised services that legacy banks struggle to match at scale.

This model is increasingly setting the template for what modern banking looks like — fast, predictive and hyper-personalised in ways that traditional institutions are now competing to match.

1.4
Emerging banking hubs

The global financial sector is becoming more fragmented as it contends with tech disruptions, EM-developed splits, rivalry between legacy and digital banks and persistent political and trade tensions. Within these cross currents, emerging banking hubs are gaining clout as a vital bridge that connects various divides.

The region's favourable demographics trends are also supportive. Rising incomes, expanding middle classes and young, digitally native populations across emerging markets are creating tens of millions of new banking customers each year.

Dubai, for example, offers something neither traditional institutions and digital-first challengers can build alone: a strategically located financial hub that combines clear, business-friendly regulation and pro-innovation policy and access to high-growth emerging markets.

It offers Asian FinTech companies looking for a launchpad for expansion into Europe and Africa. European challenger banks also choose Dubai as a base to tap into booming consumer markets in Asia, the Middle East and Africa where mobile-first banking is becoming the norm.

Traditional banks benefit too. Many use Dubai as a base to modernise regional operations, partner with digital players and build AI-enabled services tailored to emerging market clients.

In this way, DIFC acts as a vibrant hub where both established players and digital entrants can compete, collaborate and grow.

Interview with Ambareen Musa, CEO of GCC, Revolut

Ambareen brings almost two decades of experience in financial services and fintech and is widely recognised as a pioneer in the Middle East's digital finance space. Ambareen is best known as the founder of Souqalmal.com, one of the region's first and most trusted financial comparison platforms, which helped revolutionise how consumers make financial decisions. Her passion for financial literacy and consumer empowerment has been a consistent theme throughout her career and now plays a central role in shaping Revolut's strategy for the UAE market.

→ **How are digital-native banks reshaping the competitive landscape? What capabilities will define the next generation of leading institutions?**

Digital-native banks are helping to expand what customers expect from financial services. What we're seeing is a shift from product-led banking to experience-led banking. Customers increasingly expect financial services to be seamless, intuitive, and integrated into their daily lives, rather than something they actively manage across multiple touchpoints.

Looking ahead, the institutions that will lead - whether traditional or digital - will share a few defining capabilities. The first is the ability to deliver real-time, frictionless experiences, particularly in a highly international, cross-border environment. The second is having data and AI embedded at the core, enabling better personalisation and greater efficiency. The third is the ability to adapt to what I believe is the biggest disruptor: Customer behaviour changes. Customers are demanding faster, better and more innovative products and changing what they need faster than ever.

→ **How are customer expectations evolving, particularly among younger, digital-first users? Where do traditional banks risk falling short?**

Customer expectations are evolving very quickly, especially among younger, digital-first users who are used to seamless, on-demand experiences in every aspect of their lives. They don't think in terms of banking products - they think in terms of outcomes: how easily they can manage, move, and grow their money and how much are they in control of their money.

They expect real-time visibility, instant transactions, and access to global financial services from a single, intuitive platform. They also expect transparency and tools that help them make better decisions, not just access to products.

At the same time, this isn't about one model falling short - it's about how the industry evolves together. We're seeing institutions across the board investing in improving speed, reducing friction, and enhancing digital experiences to meet these expectations.

What's particularly important is the pace of behavioural change. Different generations are interacting with money in very different ways, and those gaps are widening. As AI becomes more embedded in everyday life, expectations will continue to accelerate.

The real opportunity is for all institutions to stay close to these shifts - understanding how customers' needs are evolving and responding quickly with solutions that feel relevant, intuitive, and genuinely helpful.

→ **How will AI change banking over the next 2-3 years? Where will customers see the most immediate impact?**

AI is quickly becoming a foundational part of how banking operates, and over the next two to three years, its impact will be felt across almost every aspect of the customer experience. Much of this change will happen in the background - customers may not always see it, but they will experience a service that feels more seamless, intuitive, and responsive.

At Revolut, we already see this in action. Our advanced AI chatbot handles nearly 75% of customer inquiries, enabling faster response times and allowing us to support customers at scale while maintaining a high-quality experience.

Looking ahead, one of the most meaningful shifts will be in personalisation. Financial services will become increasingly tailored in real time, with insights and recommendations that reflect how customers earn, spend, and save.

AI will also continue to strengthen areas like customer support and security, helping resolve issues more efficiently and protect customers in real time.

→ **What role does UAE play in Revolut's regional strategy?**

The UAE plays a very important role in our regional strategy as a natural entry point into the GCC. It's a market that brings together a highly international population, strong digital adoption, and a regulatory environment that actively supports innovation.

For us, the UAE represents a long-term commitment and a strategic foundation for growth in the region. We are working closely with the Central Bank of the UAE following our in-principle approval, taking a disciplined and collaborative approach as we progress towards launch.

Our focus is on building strong, sustainable foundations - investing in local talent, developing products that feel native to the market, and ensuring full alignment with regulatory expectations. A key part of that journey is financial education. It has been a consistent focus for me throughout my career, from Souqalamal to Yabi, and it remains something I'm deeply passionate about. As we build in the UAE, we want to ensure that alongside access to innovative financial tools, we are also helping customers build confidence and understanding in how they manage their money.

Over time, we see significant opportunity to contribute to the UAE's broader ambitions around financial innovation, digital inclusion, and improving the cross-border financial experience for a highly global population.

CHAPTER 2: EMBRACING DIGITAL INNOVATION AND EVOLVING REGULATION

AI is rapidly becoming core infrastructure, a fundamental layer shaping competitiveness and resilience for both established and challenger banks.

Institutions that commit to ambitious, enterprise-wide digital transformation – and back it with meaningful investment – will be far better positioned than those that limit themselves to incremental, low-budget upgrades.

The rewards for going all-in are substantial. AI improves the speed, quality and the reach of core banking functions. Insights that once took days or weeks to generate can now be produced in hours, sharpening decision-making from lending strategies to risk modelling. Customer satisfaction rises with faster and more reliable support. Compliance costs fall, while regulatory reporting becomes more robust.

Research has found that banks and FinTechs have seen measurable uplifts introducing AI and related software. For example, enhanced customer experience led to a 30 per cent increase in revenue growth. Productivity has risen 90 per cent for data analytics teams,[19] more than 80 per cent for customer support and 30 per cent for audit operations teams. A separate analysis shows financial institutions can achieve 70-90 per cent automated decisioning rates in lending, 30-50 per cent gains in automated approvals, 15-40 per cent higher overall approval rates and 10-25 per cent lower loss rates.[20]

These gains matter because they narrow the operating-model gap digital-native banks have opened.

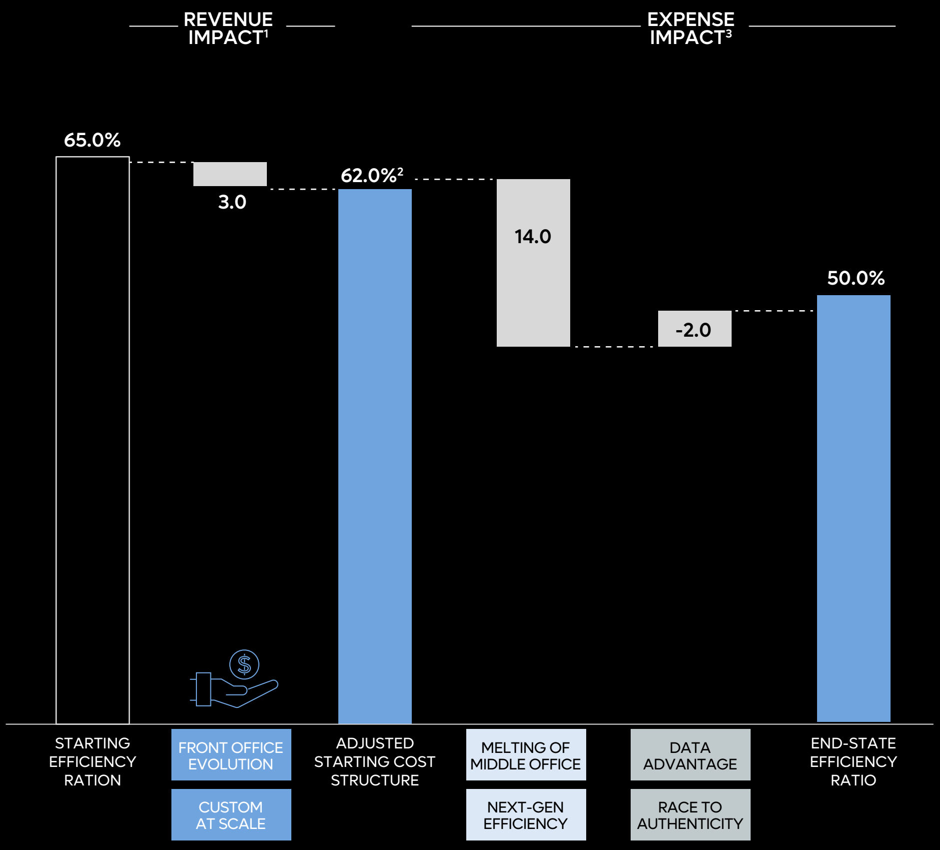
2.1
A roadmap for CEOs and managers: spend now, profit later

For bank CEOs and management teams, the next 12-24 months could be a critical window to embed AI across the business. High-impact areas include data analytics, customer experience and talent development. But they should not be treated as isolated projects. Each initiative can help lay the foundations for broad transformation and building long-term resilience.

Figure 3: **AI transformation across banking's entire value chain**[21]

FIGURE 3:
AI TRANSFORMATION ACROSS BANKING'S ENTIRE VALUE CHAIN [21]

NET REVENUE EFFICIENCY RATIO IMPACT FOR DIVERSIFIED BANKS THAT FULLY EXECUTE AI TRANSFORMATION



2.2 Data: foundation for AI-driven efficiency

Data is the backbone of any AI transformation. Unlike natural resources, data doesn't diminish in value as it is used; rather, its value grows when it's cleaned, connected and effectively deployed. For banks, the real advantage lies in how well they extract value from their real-time and proprietary information. This makes designing modern, intelligent cloud-based data architectures a top priority.

JP Morgan Chase offers a useful lesson for the rest of the industry because the megabank struck at the heart of this challenge first, embarking on data modernisation backed by substantial investment.

The world's largest bank by market cap serves 91 million customers and manages over 40 million credit profiles, 27 billion credit and debit transactions and 11 million trips booked. In total, more than 1 million terabytes of data moves across the firm on any given day, offering a vast information base on which to train AI.[22]

In order to improve storage, compute efficiency and management, the company has built cloud-based data centres and dismantled physical infrastructures, making data AI-ready in real time.

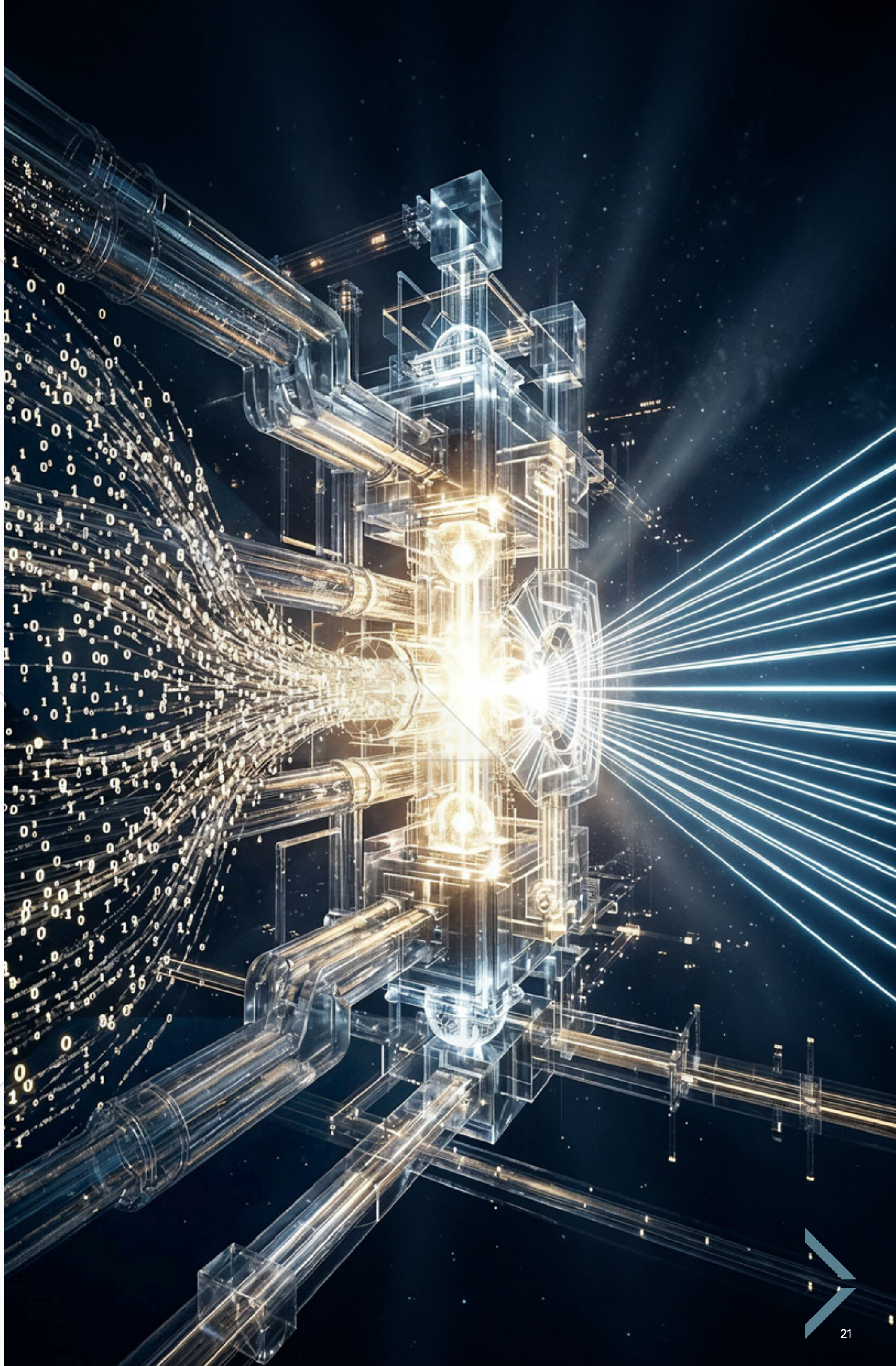
The results are already visible in operations through automating tasks and insights, detecting and preventing fraud, optimising and accelerating credit decisions, and tailoring products and features to the customer. Accounts per serviced operational headcount are up 25 per cent. Servicing call costs are down nearly 30 per cent per account and processing costs are down 15 per cent.

As CEO Jamie Dimon says, transformation is a continuous process. "It's table stakes. It will be for the rest of eternity. (It's a mistake to think) you're in one transformation and when you get through it, you're done," he says. "The hardest part is getting data into the form where it can be used properly and where these things belong."[23]

The Wall Street giant plans to spend USD 20bn on technology in 2026, having allocated around a tenth of total revenue to the project in the past few years, higher than the sector's average of 6-8 per cent.[24]

Once solid data foundations are in place, banks can streamline operations by delegating routine tasks to AI systems. For example, PwC expects data-driven AI insights to help increase prospects-to-paying customer conversion rates by up to 30 per cent, while enabling up to half of staff to shift to higher-value roles, such as client advisory, complex risk analysis and strategic product innovation.

This could lead to a "melting" of the middle office, collapsing traditional boundaries between front and back office to create more integrated operating models – a pattern already set by challenger banks.



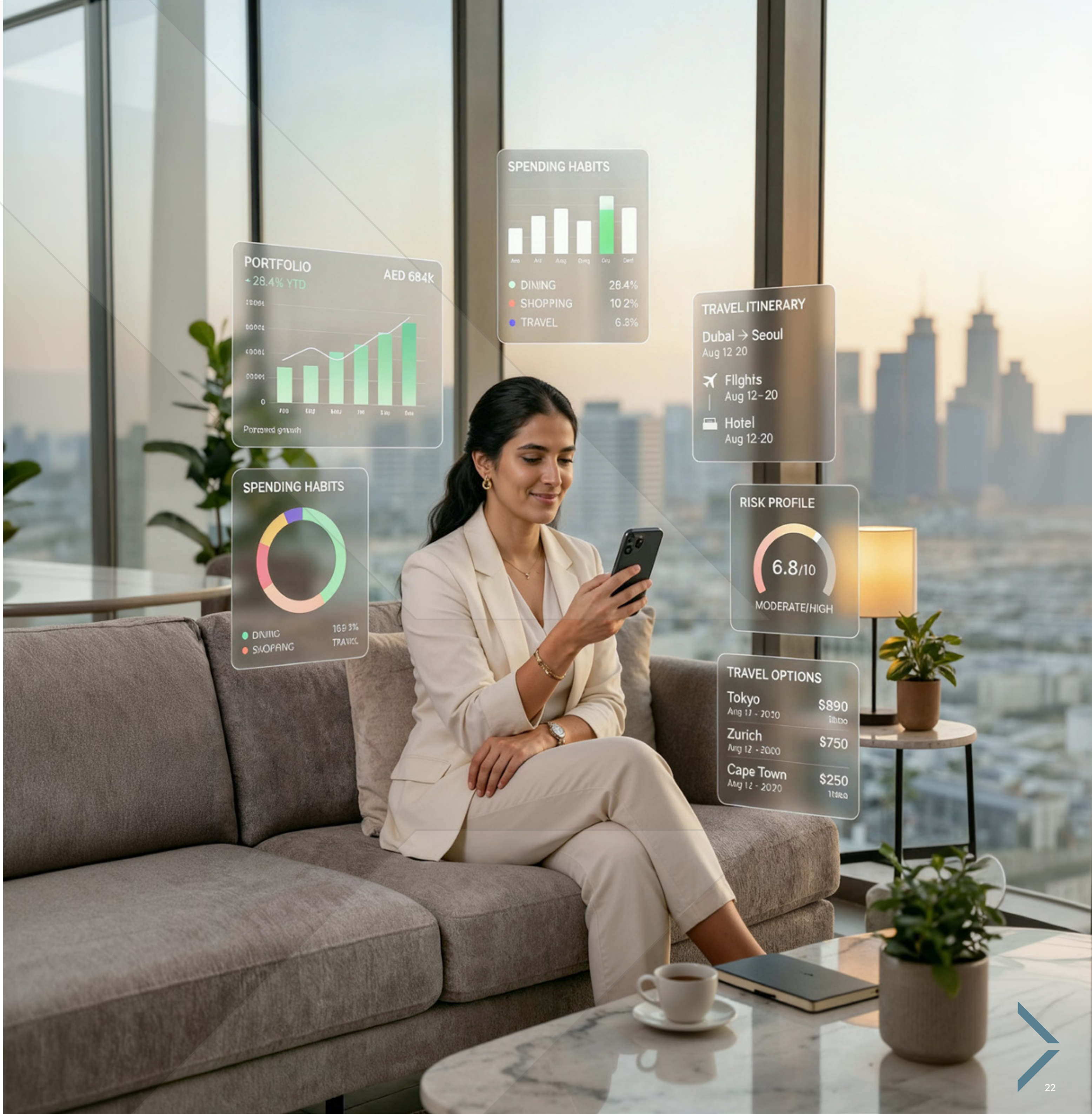
2.3 “What’s my travel budget to Paris, and can you get me an eSIM?”

To differentiate themselves, banks are leveraging AI to transform customer experiences to meet the demand from digital-native cohorts who want seamless, hyper-personalised interactions, with proactive recommendations. PwC estimates that customer retention rates could double as AI enables banks to engage clients in real time.[25] This enables more intuitive digital interactions and helps unlock new revenue streams.

Challenger banks, many already cloud-native, are leading the way. For example, Revolut’s AIR (AI by Revolut) assistant allows clients to manage cards, payments and subscriptions, track investments in real-time and even plan travel through in-app chats, 24/7.[26] Starling Bank has launched a similar AI assistant.

The same applies to asset and wealth management, with several institutions already using generative AI to deliver real-time insights and build portfolios tailored to each client’s risk appetite, spending habits and long-term goals. Such personalisation also extends to providing institutional-grade investment insights across asset classes that are growing in demand, such as private markets, emerging markets and digital assets.

This shift towards predictive, AI-driven service models raises the bar for talent, making AI-specialised skills essential across operations.



2.4 AI-specialised human talent: new hires and upskilling

To stay competitive, financial services professionals need to become APLIFTI- and data-fluent, Umastering digital tools, data analytics, AI algorithms, cybersecurity and evolving regulations.

Banks are already deepening their AI-specialised talent pool. A survey which tracked 50 major banks shows the AI workforce has grown 12.6 per cent in the six months to March 2025, representing the fastest growth rate observed over the past two years. One-in-50 bank employees now works in AI and data related roles.[27]

On average, the top 10 banks by AI talent have announced twice as many publicly documented use cases as the remaining banks tracked.

Training and upskilling of the existing workforce are equally important. More than 70 per cent of banks in the survey provide AI-specific training to employees as they launch new genAI productivity tools, which often require phased trials by "super-users" or in "sandboxed" environments to experiment in a risk-free setting. This structured approach helps mitigate risk while accelerating adoption.

2.5 Regulation meets AI experimentation

The regulatory framework is racing to keep pace with AI disruption. Many regimes are still playing catch up, while others, such as Dubai's DIFC and Singapore, have embraced regulatory sandboxes and innovation-friendly frameworks, giving smaller and challenger banks more room to test AI-first products. Such approaches also create competitive advantages for jurisdictions that provide safety without stifling innovation.

For example, banks from the United Kingdom, European Union, Canada, Singapore and Hong Kong have expressed interest in the Dubai Financial Services Authority's (DFSA) Tokenisation Regulatory Sandbox,[28] while institutions such as Standard Chartered have launched digital asset custody services from DIFC.[29]

Banks are likely to use jurisdictions with supportive regulation to pilot new services and test model accuracy and governance in a controlled environment before scaling them across the region.

Interview with
Fernando Morillo, Group Head of Retail Banking, Mashreq

As Group Head of Mashreq's Retail Banking Group (RBG), Fernando ensures that every Mashreq retail customer receives a superior banking experience. He is responsible for delivering profitable revenue growth and managing and executing the retail strategy across Mashreq's personal banking, Mashreq Gold, private banking, SMEs, Islamic and Emirati segments, in addition to the bank's digital propositions - Mashreq Neo and NEOBiz.

Fernando brings almost 30 years of financial services experience to his new role at Mashreq. Most recently, he served as the Managing Director & Global Head of Retail Products and Segments for Standard Chartered Bank in Singapore.

He began his career in McKinsey & Company where he focused on banking, insurance, retail and digital across EMEA and the US. In 2002 Fernando joined Bankinter where he held a number of senior positions in retail banking. 2011 saw him move to BBVA to lead their retail and commercial products and segments units across all of the Group's banks.

He enjoys widespread retail, digital and commercial banking experience having worked in a diverse range of specialist disciplines, notably private, affluent, emerging affluent, mass, SMEs and mid-market. In addition, he has also developed expertise in digital, CRM, analytics, marketing, and distribution.

He holds a General Management Program (G.M.P.) from Harvard Business School, an MBA from Instituto De Empresa in Madrid, and a B.S. in Aeronautical Engineering (specialization in Aircraft and Spacecraft design) from Universidad Politécnica De Madrid.

→ **How is the rise of digital-native banks reshaping customer expectations, particularly around personalisation, speed and seamless digital experiences? How is Mashreq responding?**

We're witnessing a fundamental shift in what customers consider 'normal'. And indeed, what they expect as a baseline. Speed, simplicity and hyper-personalisation are no longer differentiators; they are fundamentals.

These expectations are not limited to retail banking. Businesses, from entrepreneurs and SMEs to large corporates, increasingly expect the same intuitive, and always-on experiences they encounter in their personal digital lives. Customers today compare their banking experience not only against other banks, but against the best digital experiences they encounter anywhere.

This shift is especially visible among younger generations and digitally native businesses, who see banking less as an isolated transaction or service and more as an integrated part of how they live, operate and grow.

Mashreq's suite of digital platforms, including NEO, NEO BIZ and NEO CORP, was built with this mindset from the beginning. Our approach has been to remove friction from everyday banking and give customers and businesses greater control, visibility and flexibility in how they manage their finances.

This strategy has been a key driver of our growth, enabling us to scale seamless, high-quality digital experiences that now support approximately 1.2mn monthly active users and have earned a market-leading 4.8 app rating across NEO and NEO BIZ in the UAE.

A strong example of this customer-centric approach is our NEO BIZ One-Day Service Promise. By fundamentally re-engineering the account opening process, we introduced a fully digital onboarding journey that guarantees SME account opening within a single day. This allows businesses to establish operations, manage finances more efficiently and scale with greater confidence in the UAE's dynamic economy.

→ **What role do you see Dubai and DIFC playing in shaping the next phase of digital banking and financial innovation?**

Dubai has reinforced its position as one of the most important global hubs for financial innovation because it combines strong ambition with precise and efficient execution. The ecosystem here actively encourages innovation while maintaining a strong focus on governance, resilience and customer protection.

DIFC, in particular, has played a significant role in fostering collaboration between banks, FinTechs, regulators and technology players. In this collaborative environment, the development of new financial models across AI, embedded finance, digital assets and cross-border banking is easily enabled.

Our partnership with DIFC reflects this integrated approach; by collaborating on advanced digital onboarding for DIFC-based clients and promoting FinTech venture building, we are together creating a future-ready financial ecosystem that empowers global investors, family offices and high-potential businesses.

For banks like Mashreq, Dubai provides a unique launchpad where innovation moves from concept to implementation with a speed and clarity rarely seen in more mature markets. This reinforces the Emirate’s position as a premier destination for long-term prosperity and financial excellence.

→ **Where do you see the biggest opportunities for digital transformation in banking over the next 2–3 years?**

The next phase of transformation will be less about simply digitalising banking and more about making banking intelligent, predictive and deeply contextual.

AI and data are reshaping how banks engage with customers, from hyper-personalised financial insights to real-time fraud prevention and proactive financial guidance. Customers increasingly expect banks to simplify decision-making and help them manage their financial lives more effectively.

We also see strong momentum around embedded finance, where banking services become integrated into broader digital ecosystems. Customers increasingly want access to financial services at the tap of a screen and at the exact moment such services are needed, whether that is financing, payments, or financial management tools embedded directly into digital platforms.

At the same time, operational resilience and trust will become ever more important competitive differentiators. As banking becomes increasingly real-time and always-on, customers will place greater value on institutions that combine innovation with stability, transparency and security.

→ **What role will partnerships between banks, FinTechs and technology firms play in the future of banking innovation?**

The future of banking will be ecosystem-led. No single organisation can innovate fast enough independently to meet evolving customer expectations.

Partnerships create a powerful synergy, allowing banks to combine their legacy trust, scale and regulatory expertise with the speed, agility and hyper-specialisation of FinTechs and technology firms. This shift is rapidly replacing the outdated “banks versus FinTechs” narrative with strategic collaborative partnerships, creating unique opportunities to deliver more relevant, integrated customer experiences. The macro-economic impact of this transition is profound; the MENA embedded finance market alone is set to soar to USD 37.7bn by 2029.[30]

For Mashreq, partnerships are a key element of how we accelerate innovation. We are continuously extending our Banking-as-a-Service (BaaS) model to expand digital capabilities, whether through embedded finance solutions, AI-driven services, or digital commerce ecosystems, collaboration allows us to reach customers in more contextual and meaningful ways.

We are applying this across key industry verticals, including but not limited to:

- **In telecommunications:** Our strategic alliance with e& in Egypt is a structural play to drive financial inclusion at scale. By embedding financial services directly into a massive telecom platform, we are turning everyday digital moments into engines for economic participation.
- **In the healthcare industry:** We partnered with the Toothpick to bridge the gap between care and capital. By integrating our digital lending infrastructure into a network of over 1,000 clinics, we removed traditional friction, enabling patients to instantly finance high-ticket healthcare and aesthetic treatments directly at the point of care.

- **In retail and e-commerce:** Our strategic collaboration with the FinTech Cashew allows us to reshape consumer credit dynamics. By deploying "Buy Now, Pay Later" (BNPL) solutions directly into merchant checkout ecosystems.

However, as ecosystems become more interconnected, resilience and governance become even more critical. Successful partnerships are not built solely around rapid innovation or shared APIs; they require true cultural alignment, an entrepreneurial mindset and a rigorous, shared commitment to data security, operational discipline and systemic accountability to protect both the customer and the broader financial network.

→ How is Mashreq approaching the challenge of modernising legacy systems while continuing to innovate at pace?

Modernisation in banking is not a one-time transformation programme, it is a continuous evolution. At Mashreq, despite being a deeply established institution, we operate with the pace, agility and mindset of a challenger bank. Our focus has always been to build modern, scalable infrastructure that enables faster innovation while preserving the resilience, trust and operational strength expected from a leading financial institution.

We continuously evolve our core architecture in the background while accelerating the delivery of new customer-centric capabilities in the foreground. Cloud adoption, automation and real-time monitoring are central to this strategy because they strengthen both agility and resilience. The objective is not innovation at the expense of stability, it is achieving both simultaneously.

Today, Mashreq operates on a highly scalable, API-led digital core supported by robust cloud infrastructure. This foundation enables our teams to move faster, deploy capabilities seamlessly across markets and respond to changing customer expectations with greater speed and precision.

That architecture also underpins our ambition to become a digital-first institution. We are embedding advanced analytics, intelligent automation, AI-driven workflows, electronic KYC and automated biometric validation to simplify complex banking processes and deliver more personalised experiences for both individuals and businesses.

Beyond infrastructure, technology alone does not drive transformation, culture does. We are investing in a modern workplace that empowers our people to challenge convention, move decisively and continuously adapt to changing customer expectations and market dynamics. Internally, this ensures our organisational agility keeps pace with our technological capability; externally, it enables Mashreq to shape conversations around digital innovation, global trade corridors and ESG.

Interview with
Rohit Garg, Chief Digital Officer & Group Head of Retail Products, Emirates NBD

Rohit Garg is the Group Head of Retail Products and Retail Banking and Wealth Management (RBWM) Chief Digital Officer at Emirates NBD. He has a total work experience exceeding 25 years and has previously worked in banks like Standard Chartered, Barclays and Mashreq across Asia, the Middle East and Africa in the Corporate Banking, Wealth Management Banking, Business Banking and SME space. He has conceptualised, launched and scaled the first Digital SME Bank in the region as well and is an alumni of the Wharton School.

→ **How are traditional banks responding to the rise of digital-native challengers? Where do incumbent institutions have an edge?**

Traditional banks are no longer operating in 'catch-up mode'. What we are increasingly seeing – particularly in markets like the UAE – is a shift where incumbents are actively shaping the ecosystem, not just reacting to FinTech disruption.

Many banks are repositioning themselves as digital platforms embedded within broader customer ecosystems, integrating financial services into everyday journeys such as e-commerce, mobility, lifestyle and payments. This is especially relevant in the UAE, where high digital adoption and a mobile-first customer base have accelerated expectations for seamless, real-time experiences.

Rather than competing directly with FinTechs, incumbents are increasingly partnering, investing and co-creating solutions that combine FinTech agility with institutional scale. At Emirates NBD, this is evident through its Digital Innovation and Partnerships model and active engagement with startups, reflecting a broader regional trend of collaborative innovation rather than competition.

At the same time, incumbents retain structural advantages that remain difficult to replicate:

- Deep and trusted customer relationships, particularly important in a market where trust still underpins financial decision-making
- Strong regulatory alignment and operating resilience
- Robust balance sheets that enable sustained investment
- Rich historical customer data across life cycle interactions
- Extensive multi-channel distribution, including physical and digital

In the UAE, these strengths are even more pronounced. The regulatory environment – driven by the Central Bank, DIFC and ADGM – has struck a deliberate balance between innovation and control, enabling banks to experiment without compromising stability.

Emirates NBD is a strong example of this dual advantage – combining digital-first innovation with institutional trust at scale. With most customer transactions already happening outside branches and platforms like Liv gaining strong traction, the bank demonstrates how digital scaling can reinforce – not dilute – customer trust.

→ **Where do you see the biggest opportunities for transformation across the banking sector over the next 2–3 years?**

Over the next few years, the most significant opportunities will centre around AI-driven personalisation, end-to-end digital journeys and embedded finance ecosystems. In the UAE context, these shifts are likely to happen faster than in many global markets, given the combination of digital maturity and regulatory support.

AI-driven personalisation: Banks are moving beyond static segmentation toward real-time, individualised engagement. In a market like the UAE – where customers are highly digitally engaged and increasingly expect proactive financial insights – the ability to anticipate needs and deliver contextual offers will be a key differentiator. Emirates NBD's push toward becoming an AI- and analytics-led organisation reflects this broader shift.

End-to-end digital journeys (straight-through processing): The real unlock lies in achieving true straight-through processing. While significant progress has been made, particularly in onboarding and payments, many journeys still face friction across handoffs between channels, operations and risk checkpoints. In a market where customers compare banking experiences with leading digital platforms (not just other banks), eliminating these frictions is becoming non-negotiable.

Embedded finance ecosystems: This is where the UAE market stands out. Financial services are increasingly being delivered within non-bank ecosystems – from retail to travel to government platforms. Banks are building API-driven, cloud-native capabilities to integrate seamlessly into these journeys. For example, receiving a pre-approved financing offer directly within a merchant platform is no longer a future concept – it is already emerging as a standard expectation.

→ How are established banks rethinking their operating models in response to AI and digital disruption?

Established banks are fundamentally reshaping their operating models toward product-led, cross-functional structures aligned to customer journeys, moving away from traditional siloed organisations. Across leading UAE banks, including Emirates NBD, this manifests in:

- Cross-functional teams ("tribes") combining product, engineering, data, operations and risk
- Increased investment in in-house engineering and digital talent
- Stronger alignment between business, technology and data roadmaps

AI is also beginning to shift how work gets done:

- Operations are becoming more automated through intelligent workflows
- Customer servicing is evolving through conversational AI, particularly in high-volume interactions
- Risk and fraud management are becoming more real-time and predictive

That said, one reality often understated is the execution challenge. Scaling AI and new operating models across legacy processes, regulatory controls and fragmented data environments is complex. Progress is visible, but the gap between pilots and scaled impact remains an active focus area.

These changes are being enabled by ongoing investments in cloud, data platforms and API architectures, which are foundational for agility and ecosystem integration.

→ How are banks balancing innovation with governance and regulatory requirements?

As banks accelerate digital transformation, balancing innovation with governance has become a central priority – particularly in the UAE, where regulators are highly engaged in shaping the digital agenda. Leading institutions are adopting a "compliance by design" approach, embedding risk, regulatory and security considerations into the development life cycle.

The UAE ecosystem provides a strong foundation for this balance:

- Regulatory sandboxes and pilot environments for controlled experimentation
- Clear frameworks for digital onboarding, open banking and emerging technologies
- Active collaboration between regulators, banks and FinTechs

Within this environment, banks like Emirates NBD are:

- Embedding governance across data, AI and cybersecurity layers
- Testing innovations in controlled environments before scale
- Building structured oversight models to support responsible innovation

Importantly, governance is increasingly seen not as a constraint, but as a source of competitive advantage – particularly in a region where trust and regulatory alignment are critical to long-term growth.

→ How are traditional banks approaching digital assets, tokenisation and next-generation payments?

Traditional banks are approaching digital assets and next-generation payments with a measured, use-case-driven approach, rather than broad experimentation.

In the UAE, momentum is building across:

- Tokenisation of assets such as real estate and trade finance instruments
- Blockchain-enabled cross-border payments, particularly given the region's role as a global financial hub
- Exploration of regulated digital currencies, including CBDCs

The UAE's ambition to position itself as a global hub for digital assets – supported by progressive regulation and strong infrastructure – means banks are engaging actively but cautiously.

Emirates NBD's approach aligns with this: participating in ecosystem initiatives, investing in relevant technologies and building capabilities that integrate into regulated, scalable payment and financial infrastructure.

CHAPTER 3:
EMERGING OPPORTUNITIES IN NEXT-GEN CLIENT GROUPS AND NEW MARKETS

Banks equipped with sophisticated AI-driven data systems can unlock enduring growth by cultivating new opportunities in less travelled regions and client bases.

Entrepreneurs, family offices, and women represent influential banking clients whose distinct and evolving financial needs remain underserved. AI-driven insights and bespoke advisory backed by more accurate anticipation of client needs should allow banks to deliver targeted, personalised offerings to these groups and unlock new revenue pools.

Entrepreneurs and start-up founders, particularly in high-growth and tech-related sectors, require integrated banking, bespoke credit and treasury solutions and sophisticated wealth management advice – all of which traditional models often fail to deliver.

Their success also makes them a natural source of family office demand as operating businesses, liquidity events and intergenerational wealth transfer increasingly create more complex private wealth needs.

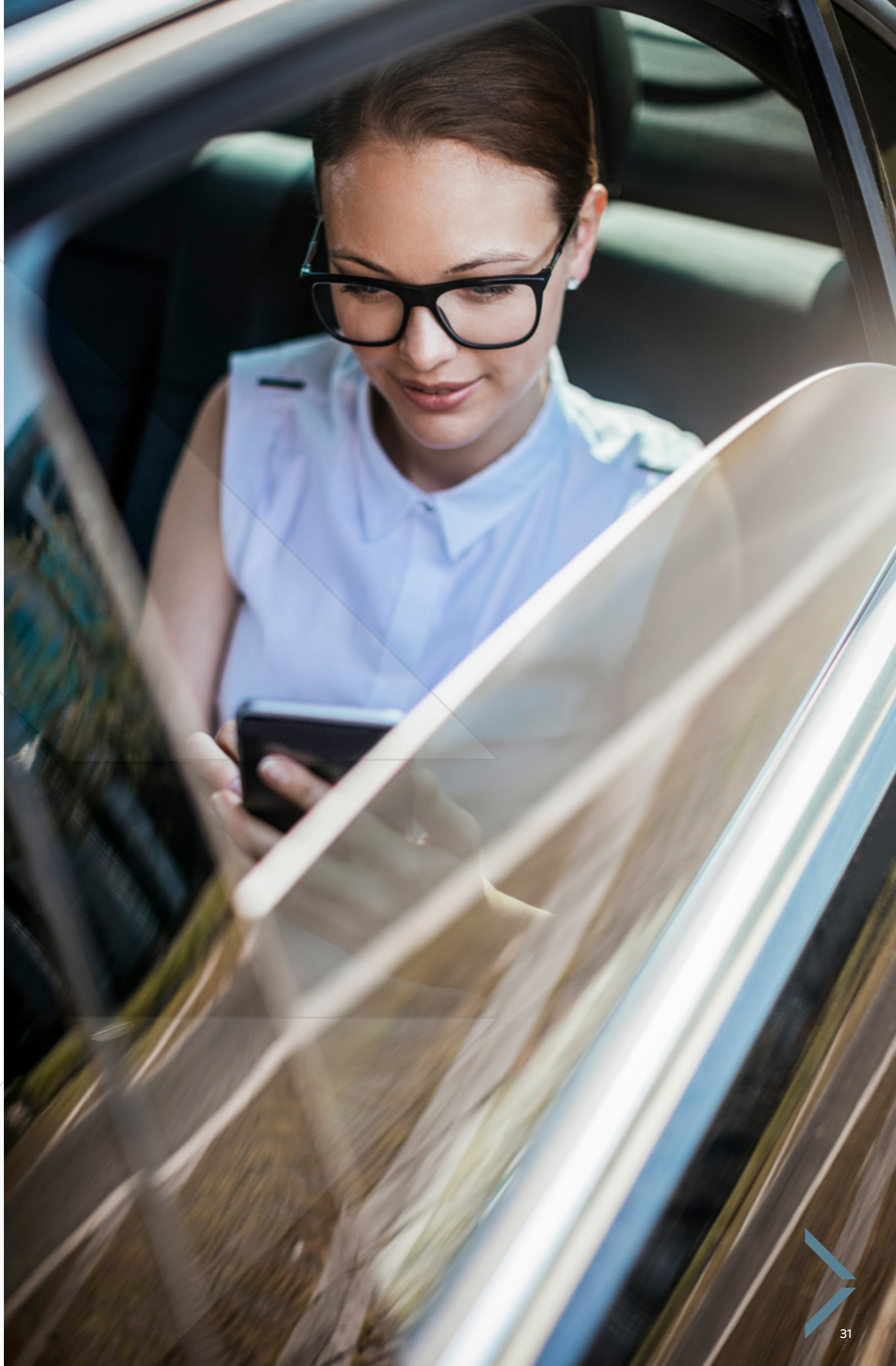
Family offices, especially in emerging markets, are increasing in number and sophistication, yet remain fragmented and underserved in areas such as cross-border structuring, private market access, and succession planning.

Among high-net-worth (HNWI) individuals, wealth is concentrating into the hands of the few at the top, or those with USD 30mn or more. Numbering around 250,000 globally, ultra high-net-worth individuals (UHNWIs) control over 40 per cent of HNWI wealth despite making up less than 2 per cent of the HNWI population.

For these clients, who are increasingly mobile and operating across complex, multi-jurisdictional footprints, access to a more seamless banking experience on an integrated app interface is especially valuable.

Women, as a rapidly growing economic force controlling an increasing share of global wealth, continue to face gaps in tailored investment products, credit access and advisory services. Women, who now represent over a tenth of UHNWIs, are poised to capture 95 per cent of USD 54trn in inter-spousal transfers.[31] Banks face an estimated USD 700bn of missed revenue opportunity by not serving the financial needs of women.[32]

This rich demographic often prioritises investments aligned with ethics and social impact, creating a strong opportunity for data-driven investment advice and inheritance planning designed to address their specific challenges and needs.



3.1
Dubai: a global gateway to high-growth markets

Emerging capital hubs such as Dubai stand out as fertile ground for banks seeking to unlock new revenue growth, driven by resilient economic growth, an expanding middle-class population, and a deepening pipeline of opportunities across private markets, AI and FinTech.

Dubai's business-friendly, common law framework – adapted for digital banking and FinTech – combined with advanced digital infrastructure enable banks to outperform competitors in saturated markets like London and New York.

Zero corporate tax within designated free zones, full foreign ownership and supportive regulation are attracting start-ups and investors, allowing them to build a strategic base for delivering innovative payments, custody and financial products to billions of consumers.

DIFC is accelerating Dubai's shift towards next-generation financial services by providing regulatory clarity, AI-ready and pro-innovation infrastructure and a deepening pool of specialised talent. Positioning itself as the first AI-native financial centre, DIFC is integrating intelligence into regulatory processes and market infrastructure, enabling firms to build and expand AI-driven financial services. DIFC's AI initiative is expected to contribute over USD 3bn to Dubai's economy through AI-driven financial innovation and capital inflows, while supporting advanced skills and next-generation financial services.[33]

Dubai also serves as a launchpad into high-growth, young populations across Asia, the Gulf, and Africa, enabling banks to access new customer bases in vibrant economies.

Recent market entries highlight this momentum. Amsterdam-headquartered Atradius, a trade credit insurer, has established a DIFC base to expand into the MENA region,[34] while India's ICICI Prudential Asset Management Company has opened a branch to serve institutional and wealth clients across the GCC and Africa.[35]

They join a growing group of global financial institutions already leveraging DIFC's creative ecosystem. For example, Standard Chartered's FinTech arm SC Ventures is partnering with DIFC Innovation Hub to launch the UAE's first national venture-building programme to pilot FinTech and digital-asset initiatives.[36] Euroclear and Julius Baer are running a joint project focused on digital-asset estate planning and tokenised portfolio management, using DIFC as an innovation sandbox.[37]

Regional heavyweight such as National Bank of Kuwait have opened a fully licensed branch in DIFC to provide digital innovation, sustainable finance and next-generation advisory services for regional and international clients.[38]

3.2 Digital assets: next-gen banking frontier

Jurisdictions that embrace digital assets and stablecoins are giving banks a powerful new growth lever. By combining progressive regulation with emerging technologies and products, such as stablecoins, next-generation digital infrastructure offers challenger banks the foundation to build faster, cheaper and more efficient payments and treasury solutions, giving them a structural edge over legacy players.

Stablecoins, digital tokens pegged to fiat currencies or assets, are disrupting the payments scene. Issued mainly in dollars on public blockchains and backed by audited reserves, they provide real-time, low-cost alternatives to legacy systems.

Stablecoin supply is estimated at USD 250bn, with usage broadening to cross-border payments, remittances and treasury management. Stablecoins still have considerable room to grow and attract investment, given they facilitate only about USD 30bn of transactions daily – less than 1 per cent of global money flows.[39]

Figure 4: **Market cap of major stablecoins**[40]

Dubai's pro-digital asset stance reinforces the city's appeal. Recent DFSA updates in stablecoin rules provide greater clarity for market participants and a safe and well-regulated digital asset environment, offering banks a route to modernised and faster cross-border payments, and opportunity to take market share from slower adopters.[41]

Under the new rules, USDC, EURC and Ripple's RLUSD are recognised. Stablecoins must be backed by liquid reserves and algorithmic stablecoins do not meet the new criteria.

This balanced, innovation-friendly environment is attracting digital-native challengers such as Revolut. The UK's Starling has a software-as-a-service arm operating from DIFC's Innovation Hub.

Testifying to the city's broad appeal as a capital hub, DIFC has recently risen to seventh place in the annual Global Financial Centres Index (GFCI) and is the highest-ranking financial centre in the MEASA region.[42]

FIGURE 4:
MARKET CAP OF MAJOR STABLECOINS [39]

NAME	MARKET CAP (AS OF APR 23, 2026)
USDT	USD 189BN
USDC	USD 78BN
EURC	USD 436MN
RUSD	USD 1.5BN

CONCLUSION

The global banking sector is entering a period of structural change that will reshape the industry for years to come. Digital-native challenger banks are setting new benchmarks for speed, cost and personalisation, while established players – still the backbone of the financial system – face mounting pressure to modernise. From AI-enabled operating models and personalised client experiences to digital-asset offerings for new client groups, these shifts are broad, interconnected and accelerating, touching every aspect of how financial institutions operate and deliver value.

In this environment, banks must strengthen their foundations while preparing for new sources of growth in emerging markets. That means modernising data systems, rethinking client engagement and positioning themselves to serve increasingly diverse markets across regions. Digital-native banks are already competing aggressively for these clients and markets, raising the bar for what next-generation, cutting-edge banking services look like in the AI era.

Resilience will be central to this journey. Institutions that build it deliberately, through significant investment in technology, upgraded skills and ambitious strategic execution, will not only withstand the pressures of transition but emerge stronger, more competitive and better aligned to the needs of an increasingly digitalised economy.

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ABOUT DUBAI INTERNATIONAL FINANCIAL CENTRE

Dubai International Financial Centre (DIFC) is the world's most advanced financial centre, shaping the global financial landscape and cementing Dubai's reputation as a leading business destination across the Middle East, Africa, and South Asia (MEASA).

As the region's only financial centre operating at scale across all sectors, DIFC is home to 8,844 active firms. These include 1,052 regulated firms, including over 500 Wealth and Asset Management firms (including 100 hedge funds), 290 banks and capital markets firms, 135 insurance and (re) insurance companies, and 70 brokerage entities. Home to over 1,677 AI, FinTech and innovation firms, DIFC sets the benchmark for financial innovation and is a top four ranked FinTech hub across the world

Underpinned by a trusted, world-class legal and regulatory framework, including the region's most utilised commercial courts, DIFC ensures efficient governance and reinforces Dubai's leadership in the digital economy. Connecting 50,200 professionals, it offers the region's deepest pool of financial talent, serving as the gateway to MEASA for all financial players.

Beyond business, DIFC provides the complete urban experience with world-class lifestyle amenities, establishing it as a highly sought-after destination. The 17.7mn sq. ft. DIFC Zabeel District expansion which provides capacity for over 42,000 companies and a workforce of more than 125,000, DIFC is solidifying Dubai's position as a top four global financial centre. The new District will also include premium Grade A commercial office space, over 1mn sq.ft. allocated to future technologies including the world's largest Innovation Hub and world's first purpose-built AI Campus, an expanded academy, residential buildings, hotels, a conference centre, and a range of retail, dining, and cultural offerings, including the Museum of Digital Art, the region's first museum dedicated to digital art and new technologies.

Anchored in integrity, DIFC is the platform for success, driving the future of finance.

For further information, please visit our website: difc.com, or follow us on LinkedIn and X @DIFC

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DIFC

The future is here.

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