



بنك الإمارات دبي الوطني
Emirates NBD

Sector
Research
11 February 2021

Shady Shafer Elborno
Head of Macro Strategy
ShadyB@emiratesnbd.com

emiratesnbdresearch.com

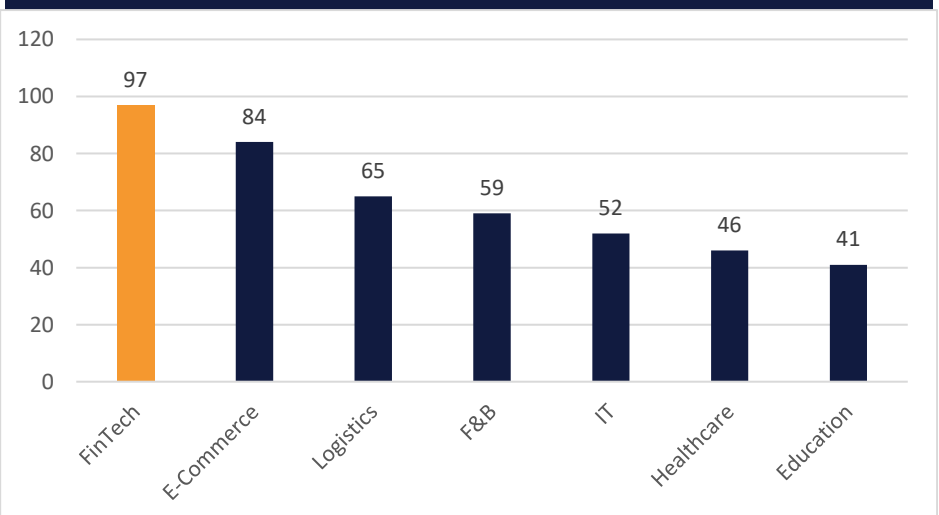
Fintech: The UAE Ecosystem

The UAE has rapidly established itself as a leading hub for fintech startups in the MENA region. According to a report by Abu Dhabi Global Market and Magnitt in late 2019, the UAE leads the region on a number of parameters, hosting 46% of fintech startups, accounting for 47% of all fintech deals, and 69% of all funding in MENA. A strong and dynamic ecosystem, a robust legal framework, private capital availability, and human capital are all key factors in the UAE's success. However, competing fintech ecosystems are rapidly rising in the region, with Saudi Arabia, Bahrain, Egypt as key competitors that are supported by strong government initiatives and private sector funding to boost the industry. For the UAE to maintain its lead, it needs to continually adapt its ecosystem be it regulatory or funding to address the changing dynamics and trends of the fintech sector.

Government support has played a differentiating role in the success of the UAE's fintech initiatives. The UAE has issued a number of national level strategies revolving around blockchain technology and artificial intelligence (AI). In 2018, the UAE launched Emirates Blockchain Strategy 2021, which aims to turn 50% of government transactions to blockchain within three years. This includes e-payment services, an opportunity for fintech firms. In 2019, the UAE government began implementing its National Artificial Intelligence Strategy 2031, which seeks to invest in the latest AI technologies and tools to improve government performance and efficiency. Given the synergy of applications of AI to fintech, this is certainly another catalyst for the sector. The Abu Dhabi Global Markets (ADGM) and Dubai International Financial Centre (DIFC) have created ecosystems in which fintech startups can flourish. Meanwhile, regulators including the Central Bank of UAE and the Securities and Commodities Authority (SCA), have adopted policies supporting the sector: in 2019 the central bank established a dedicated fintech office to develop national regulations for financial technology firms.

In this note we first look at the existing ecosystem in the UAE. Secondly, we highlight some of the private and public/private sector initiatives that have acted as accelerator platforms for fintech startups in the UAE. Finally we look at the scope for fintech growth in the wider MENA region. The goal is to set the background of where the UAE stands in the regional fintech space, and we plan to follow this with other notes that will give depth to new fintech solutions coming out of the UAE, disrupting traditional financial solutions and creating new opportunities.

Top 7 Industries by number of deals 2018- Oct 2019 YTD (MENA)



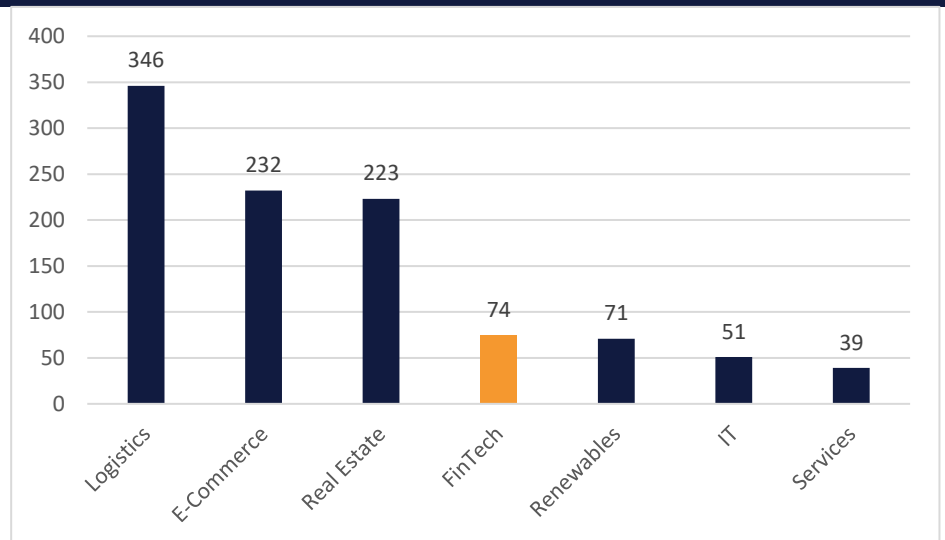
Source: Magnitt, Emirates NBD Research

What is Fintech?

Fintech stands for Financial Technologies, and in the simplest terms is defined as technologies used and applied in the financial services sector. It began to be used by financial institutions themselves on the back-end of their businesses but more and more, fintech is moving to the front-end and coming to represent technologies that are disrupting traditional financial services, including mobile payments, money transfers, loans, fundraising, and asset management. Fintech is continuing to evolve, impacting not just financial institutions, but all businesses the financial services industry deals with.

As fintechs move more and more to the front-end they are serving an underserved segment or providing faster and or better service to consumers, and this is disrupting established players. Fintech now impacts our day-to-day financial activities in many ways, whether through money transfers, depositing a check with your mobile, bypassing a bank branch to apply for loans, raising money for a business startup, or managing your investments, generally without the assistance of a person.

Top 7 Industries by investment USD 2018- Oct 2019 (MENA)



Source: Magnitt, Emirates NBD Research

The UAE Ecosystem

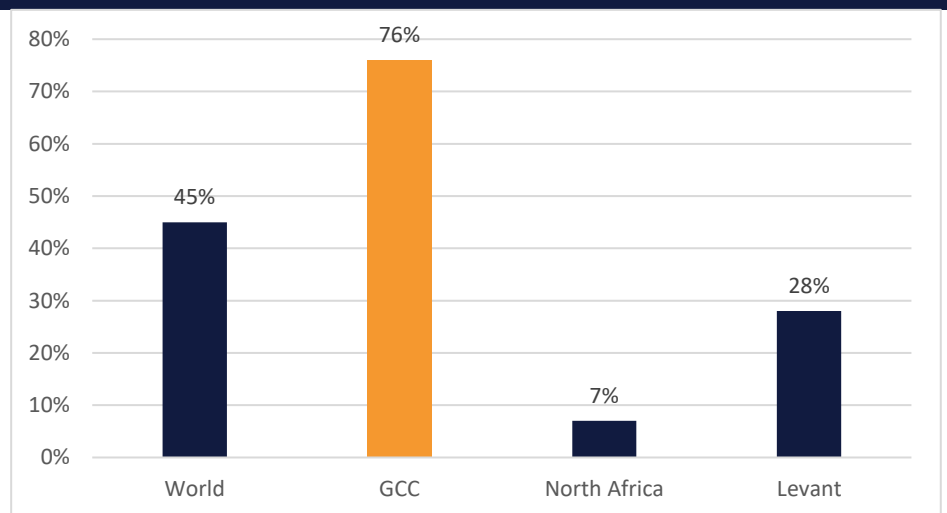
The UAE is the regional fintech leader and the most globally competitive country in the MENA fintech space, after Israel. In the UAE, digitalisation of financial services is happening at an unprecedented pace. There are advancements taking place in payments, banking, financial advisory, capital market and insurance, and that is driving innovation, efficiency and greater financial inclusion. The Abu Dhabi Global Market (ADGM) and Dubai International Financial Centre (DIFC) are the offshore hubs that hold much of the credit for the UAE's regional fintech lead, as they both provide ideal ecosystems for fintech companies to succeed.

DIFC has created a “FinTech Hive” and dedicated a USD 100mn fund that gives companies access to accelerator programs, in addition to mentorship from leading financial institutions, and insurance partners. The DIFC's Fintech Hive has signed agreements with a number of key financial services firms including AWS, Careem, Cigna, Emirates NBD, FAB, K&L Gates, MetLife, Microsoft, Standard Chartered, and Visa. **ADGM for its part has created a RegLab fintech sandbox that provides a controlled environment for fintech participants to develop and test innovative fintech solutions**

under a specially-tailored regulatory framework. It is the first such RegLab in the region and the world's second most active fintech sandbox.

There are a number of drivers that define the success of fintechs in the UAE. First, demographics in the UAE with a younger population and high per capita GDP, is an important driver for product take-up and appetite for financial solutions. High internet penetration, with close to 99.2% of the population having access to internet, and consumer attitudes that are open to the adoption of fintech solutions also contribute. Both Dubai and Abu Dhabi have regulatory sandboxes which is a framework set to allow small scale, live testing of innovations by firms in a controlled environment. Other drivers which include simplified licensing procedures, government and private sector fintech funds and accelerator programs are keeping the UAE in a lead position in attracting fintech startups.

Digital payments by % of population (2017)



Source: World Bank, Emirates NBD Research

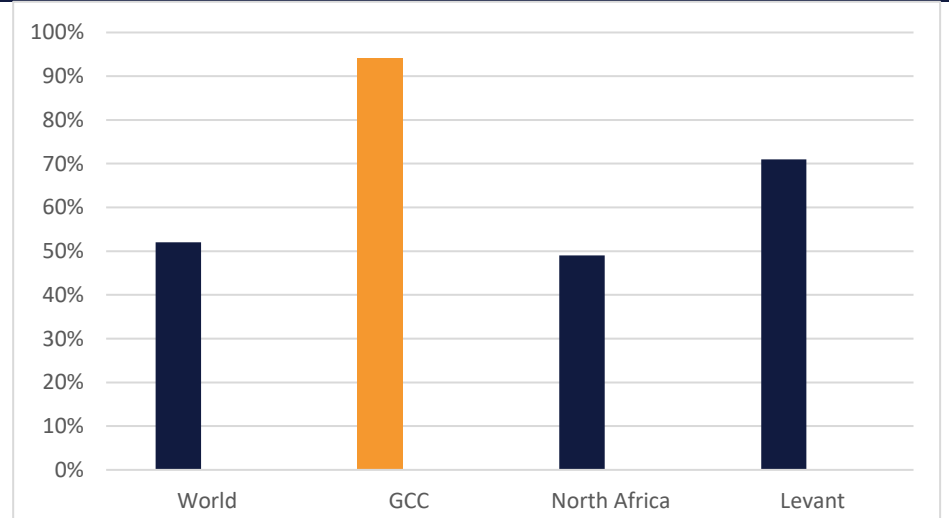
Private sector partnerships

The UAE has also developed a thriving private sector partnership scene in the fintech space that has seen both traditional large local financial institutions and larger banks play important roles as accelerator platforms for fintech startups. Examples include ADCB partnership with Plug and Play and ADGM to join Plug and Play's global ecosystem, to use the platform to support its comprehensive digital transformation strategy. Emirates NBD and DIFC FinTech Hive formed a partnership to certify fintech startups who have successfully used Emirates NBD's Application Programming Interface Sandbox to create and demonstrate working innovative financial solutions. FAB and Abu Dhabi Digital Authority collaborated to launch Abu Dhabi Government Digital Payment platform (ADPay) to facilitate simplified digital payment for customers and investors in the U.A.E.

Other examples of private sector initiatives include VISA partnering with the DIFC Fintech Hive and Startupbootcamp with whom they provide mentoring and consultation services. Since 2019, Visa has also been expanding its global Fintech Fast Track program to allow both new and established fintechs to issue digital payments solutions by leveraging the global reach of the Visa network. American Express in 2019 launched a corporate accelerator where regional Fintech startups are challenged to find solutions to issues the credit card giant is facing and win a chance to become one of the firm's suppliers. Citibank held first MENA Fintech Challenge, which offers the region's Fintech community the opportunity to put their ideas into practice and come up with innovative solutions around identified problem statements.

The UAE has been chosen as base for a lot of the regional fintech initiatives, largely because it has the most developed ecosystem for fintechs in the region. The critical mass of companies already set up in the UAE is using the country as a launchpad to provide fintech solutions to the wider region, by tapping the existing accelerators, and government and private funding platforms. This is attracting more private sector players to tap those synergies and take up those solutions being produced in the UAE to the wider MENA footprint markets.

% of population with internet access (2018)

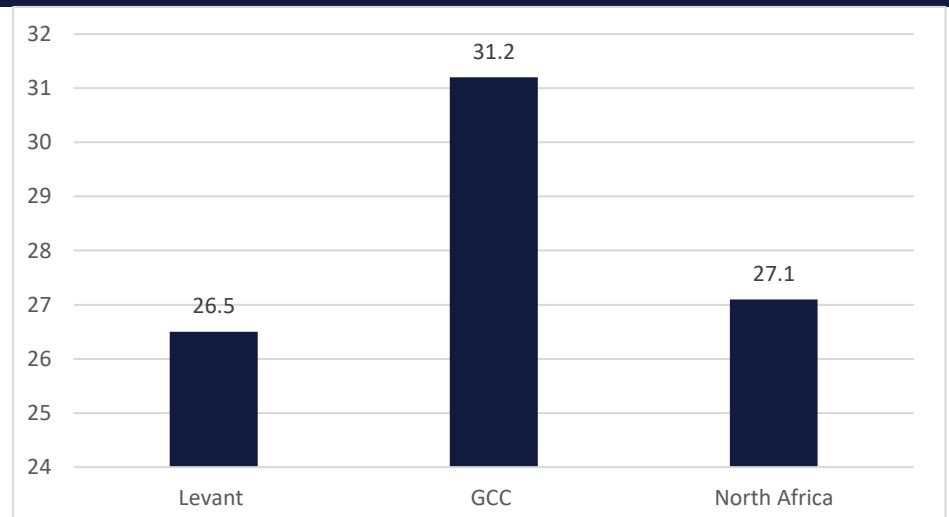


Source: World Bank, Emirates NBD Research

Opportunities in the MENA Region

The MENA region is one of the world's most diverse, encompassing three continents and twenty one countries, with a population of almost 500 million. It is an economically, culturally, and politically diverse region that includes the six gulf Arab states that are members of the Gulf Coordination Council. This diversity is reflected in the vastly different stages of advancement of both traditional financial services and the development of new fintech industries across the region. The region has some of the world's most unbanked populations.

Population Average Age (2018)



Source: World Bank, Emirates NBD Research

This is creating ample opportunities for players in the fintech sector in the wider region to identify market gaps, product opportunities and level out financial services access imbalances. Governments are recognizing the opportunities that fintech brings, however regulations across the region are also at various stages of development as authorities grapple with how to balance the need to protect customers but also offer them lower fees and access to financial services than they would otherwise have access to.

Outside the UAE, the central banks of Egypt, Bahrain, and Jordan have adopted specific initiatives to regulate digital payment services. And Lebanon and Bahrain have introduced crowdfunding regulations. The African Continental Free Trade Area Agreement (AFCFTA), which entered into force on 30 May 2019, is supposed to accelerate fintech innovation on the continent. These are just some of the key developments in the region, and the pace of new regulations and initiatives is creating a healthier ecosystem for fintechs and their solutions in MENA.

The UAE model is proving to be an excellent example for other governments in the region seeking to develop their young fintech ecosystems. Competition from the region is good and in the long run will lead to better innovation, and finally more impactful solutions to stakeholders.

Investors in Mena Fintech Startups 2015-2019



Source: Magnitt, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12thFloor
Baniyas Road, Deira
P.OBox777
Dubai

Aazar Ali Khwaja
Senior Executive Vice President
Global Markets & Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Khatija Haque
Head of Research &
Chief Economist
+9714 230 7803
khatijah@emiratesnbd.com

Research

Edward Bell
Senior Director, Market Economics
+9714 230 7701
edwardpb@emiratesnbd.com

Shady Shafer Elborno
Head of Macro Strategy
+9714 609 3015
shadyb@emiratesnbd.com

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

Jamal Mattar
Research Analyst
+9714 444 3607
jamaly@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Abdulazeez Adm AlSomali
+966 11 282 5623
abdulazeezso@emiratesnbd.com

Singapore Sales
Shivakumar Srinivasan
+65 6578 5620
shivakumars@emiratesnbd.com

London Sales
Carlo de Vos
+44 (0) 207 838 2279
devosc@emiratesnbd.com

Egypt Sales
Ahmad Okasha
+202 2726 5934
aokasha@emiratesnbd.com

India Sales
Ashish Pahuja
+91 22 6813 6202
ashishpa@emiratesnbd.com

Emirates NBD Capital

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@emiratesnbd.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com