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Mena banks restructure growth and delivery models

Structural pressures are pushing banks to transform retail and SME models from the ground up

By Sarah Rizvi

The rapid evolution of retail, digital and SME banking in the Middle East and North Africa (Mena) region is no longer just a story of innovation, it is one of structural change. As margin pressures intensify and customer expectations mature, these once secondary domains are now central to long-term bank strategy. This shift is being accelerated by regulation. The Central Bank of Bahrain launched the first fintech regulatory sandbox in the region in 2017. Since then, much has changed.

According to the UK-based Cambridge Centre for Alternative Finance, the number of regulatory sandboxes in the Mena region increased from four in 2019 to 11 in 2022, with additional initiatives launched subsequently. Last year, the UAE launched its ICT regulatory sandbox, while Bahrain's telecommunications regulator introduced a sandbox for the sector.

Combined with the region's young, digitally native population and heightened cost scrutiny, these developments are reshaping how banks grow, serve and compete.

Digital is no longer an overlay. A 2023 study by Mastercard revealed more than 70% of consumers in the region prefer using mobile apps over visiting bank branches, underscoring the shift to digital channels.

Banks are responding by redesigning products and delivery models for mobile-first engagement, embedding digital capabilities into their core infrastructure. This outlook is evident from the results of the 2025 Mena Banking Excellence Awards – Retail, Digital & SME, which saw a high concentration of winning initiatives

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focused on mobile-first customer journeys, app-based innovation and digitally integrated service delivery.

Meanwhile, SME banking is being re-evaluated through a more strategic lens. Long seen as difficult to serve profitably, the segment represents both risk and opportunity, especially in a region where just 8% of total lending goes to SMEs, according to the World Bank. In the GCC, this figure is even lower, at about 2%. Technology and partnerships are beginning to address these structural barriers, enabling scalable access and more viable economics.

Retail and SME transformation is no longer about adding digital tools at the edges. It is about embedding agility, intelligence and inclusion across credit models, relationship management and customer journeys. Some of the strongest responses to these pressures are coming not from pure digital disruptors, but from incumbents rethinking their fundamentals. Across the region, these themes are already shaping real-world banking strategies.

CASE STUDY

Alliance Bank Malaysia perfects virtual credit cards

By embedding innovation into ESG-led digital platforms, Alliance Bank's virtual credit card is setting a new benchmark for payments security and customer control

The rise of e-commerce and concerns over online payment security have driven banks across Southeast Asia to rethink credit card design. Alliance Bank Malaysia has met this challenge head-on with a solution that reimagines how customers engage with digital payments.

Rooted in user empathy and aligned with ESG goals, the bank launched a first-in-Malaysia virtual credit card (VCC) that prioritises security, flexibility and customer empowerment.

Embedded banking meets agile design

Developed using an agile business development framework, the VCC was launched in 2022 with open-banking functionality embedded directly into merchant apps.

Through a proprietary software development kit (SDK), business owners can integrate Alliance Bank's credit solution into their platforms with minimal friction or cost. This embedded model not only extends credit options to customers but also alleviates the compliance burden from merchants, ensuring no customer data is stored on third-party platforms.

For customers, the benefits are tangible. The VCC enables dynamic card numbers (DCNs) for one-time or subscription payments, allowing users to tailor card controls such as transaction limits, expiry dates and number of charges. If a transaction appears suspicious, customers can freeze or delete the card instantly via mobile, eliminating the need for long call centre queues or card replacements.

Seamless, paperless and ESG-aligned

Beyond convenience, the initiative also eliminates the use of physical cards and paper-based forms. All applications, statements and transactions are conducted digitally, supporting Alliance Bank's broader sustainability agenda. The mobile-first model integrates multi-factor authentication, facial biometrics and secure API gateways, offering a robust yet seamless customer journey. By October 2024, the bank had issued more than 67,000 VCCs, significantly accelerating card acquisition without sales staff intervention. Processing time for card applications dropped from five days to under two and card replacements due to fraud now take under a minute through the app.

This customer-led, API-powered innovation in embedded banking has earned Alliance Bank Malaysia the Most Innovative Payments Initiative award at the Retail Banker International Asia Trailblazer Awards 2025. The bank has also been recognised for its SME strategy, receiving the Best SME Product Initiative award.

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CASE STUDY

KBank leverages analytics to boost recoveries

A smart use of analytics is helping the bank improve recovery rates, reduce credit losses and optimise customer engagement

The pressure on financial institutions to enhance risk management, reduce non-performing loan ratios and manage customer lifecycles more effectively has never been higher. For Thailand's Kasikornbank (KBank), this challenge has translated into an opportunity to leverage advanced analytics to transform its collections strategy from a largely reactive system into a proactive, precision-led model.

Precision over volume

At the heart of the bank's transformation lies its use of internal behavioural data across platforms such as KPLUS to identify the best phone number, time and location to contact each customer. Rather than adopting a brute-force volume approach, KBank engineered a 'confidence score' to prioritise contact methods based on usage recency and frequency, thereby increasing successful contact rates while minimising customer dissatisfaction.

Segmentation through smart modelling

The bank's adoption of a dual-axis framework – willingness to pay (WTP) and ability to pay (ATP) – has allowed it to categorise customers into tailored personas. These personas guide treatment strategies across different product groups, from home loans to unsecured credit. Models have been trained using delinquency history, mobile usage, payment behaviour and income data to improve segmentation accuracy and identify the optimal engagement strategy.

From dashboards to decisions

A full suite of dashboards spanning performance, operations and model monitoring has given KBank real-time insights into customer responsiveness, agent effectiveness and predictive accuracy. This has enabled weekly adjustments and immediate corrective actions where risk thresholds were exceeded or contact protocols deviated from.

The results speak to both strategic vision and execution: the contact rate improved from 68% to 75% within a year and the overall roll rate dropped across multiple lending products. These

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gains helped reduce expected credit losses (ECL) by THB2.08bn ($60.9bn), significantly surpassing the initial target of THB1.2bn.

For its forward-looking deployment of analytics, KBank was recognised as the winner of the Best Application of Data Analytics title at the Retail Banker International Asia Trailblazer Awards 2025. It also earned a Highly Commended award for Trailblazing Use of AI or Machine Learning in Financial Services, highlighting the technological underpinnings of its strategic evolution.

CASE STUDY

UOB Finlab Thailand backs green fintech ecosystem

With a growing focus on ESG innovation, UOB Finlab Thailand is helping to scale green technology startups through a regional platform that connects fintechs with pressing sustainability priorities

As banks increasingly become enablers of sustainable transformation, the intersection between environmental and social governance (ESG) goals and fintech innovation is coming into sharper focus. UOB Finlab Thailand, through its active participation in its parent company UOB's GreenTech Accelerator 2024 programme, is building a collaborative model that brings startups, corporates and financiers into the same room to co-create solutions across carbon tracking, waste management and climate-conscious growth.

> **Through the GreenTech Accelerator 2024, UOB Finlab has contributed more than just guidance; it has created scalable access to green finance and real-world pilots**

Climate meets capital

The GreenTech Accelerator spans Singapore, Malaysia and Thailand, with over 350 fintech and green tech applications across 46 countries. UOB Finlab Thailand played a leading role in structuring the Thailand chapter of the programme, working alongside 27 partners and more than 30 mentors to deliver pilot-ready solutions in areas including energy efficiency, sustainable urban design and emissions reporting. Unlike conventional accelerators, this initiative was grounded in specific sustainability challenges posed by SMEs and corporates.

Finalists were paired with mentors from UOB Finlab Thailand and ecosystem players such as Techsauce, the National Innovation Agency and Thailand's Digital Economy Promotion Agency, enabling access to funding, customers and technical expertise.

UOB Finlab Thailand's leadership was not limited to mentorship. With multiple senior executives directly engaged – including mentors from both Thailand and group-wide functions – the bank positioned itself as a key orchestrator of Thailand's green fintech ecosystem. Its involvement extended from strategy to execution, underscoring a whole-bank commitment to innovation.

Financing impact

Through the GreenTech Accelerator 2024, UOB Finlab has contributed more than just guidance; it has created scalable access to green finance and real-world pilots, with up to SGD100,000 ($74,518) in funding available for deployable solutions.

The bank is leveraging its broader ASEAN presence and fintech network to give visibility and opportunity to early-stage innovators working in ESG. In doing so, the accelerator has reinforced fintech's role in advancing a broader ESG agenda in the ASEAN region, aligning directly with the region's climate transition goals.

This proactive partnership model positions UOB Finlab Thailand as a conduit between sustainability imperatives and startup innovation, reaffirming its role as an ESG and fintech enabler in the region.

These efforts have been formally recognised with the Best Fintech Partnership award at the Retail Banker International Asia Trailblazer Awards 2025.