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GlobalData Insights

The real cost of climate resilience

For Mena region banks, climate finance is no longer just a corporate responsibility pledge – it is a regulatory necessity and a driver of long-term profitability

As banks set net-zero targets, they must increasingly align commercial success with sustainability commitments, while maintaining credibility and mitigating risks. Across the region, banks are building up their climate capacities. In the UAE, First Abu Dhabi Bank (Fab) announced in March 2023 a set of emission reduction targets for the highest-emitting sectors in its portfolio, as part of an effort to lower both financed and operational emissions. Now, the bank sets targets for sectors that account for 90% of Fab's financed emissions.

Abu Dhabi Commercial Bank and Egypt's Commercial International Bank (CIB) are other prominent lenders that are setting the bar high, as members of the Net-Zero Banking Alliance (NZBA) global banking industry's target-setting group. S&P Global estimates that sustainable bond issuance in the Middle East could reach $23bn this year, with sustainable debt instruments accounting for 35% of total sukuk issuance in 2024 – up from 26% at the end of 2023.

The ratings agency notes that sustainable bonds now make up more than 25% of regional corporate and financial institution issuance, well above the global figure of 9%.

Middle East and North Africa (Mena) countries have been the lowest recipients of climate and environment financing made available by the big three climate funds: the Green Climate Fund, the Global Environment Facility and the Climate Investment Funds. The $2.7bn extended in the 1992 to November 2023 period was equivalent to just 6.6% of global financing, says a report from research firm SRMG Think.

Despite these developments, Mena banks remain committed to the decarbonisation agenda.

Those countries that have established national policies are witnessing greater momentum in their banking sectors' embrace of climate resilience. In 2021, the UAE issued its sustainable finance framework, encouraging Emirati lenders to provide financing that is both sectorally focused – targeting renewable energy, energy efficiency, sustainable transport and green buildings – as well as in product offerings, with green loans, bonds, blended finance and transition financing to the fore. Meeting net-zero pledges still entails substantial costs.

"Climate continues to be seen as an investment that demands a profitable return for spend," says Alice Gower, head of the geopolitics practice at

SRMG Think.

Central banks in the Mena region are also playing a growing role. In Morocco, Bank Al-Maghrib, which is already home to a dedicated Green Finance Unit, is developing new guidelines for climate disclosures by local banks. The central bank also aims to increase the share of ESG bonds in its foreign exchange reserves from 7% to 10%.

The symbiosis of higher profit and reduced carbon is one side of the equation. Regulation is another clear driver for banks to mainstream climate resilience. Across Mena, governments are encouraging banks to put climate centre-stage in their decision-making processes.

The UAE's Sustainable Finance Framework has provided the setting for local regulatory bodies to make their own initiatives, for example the

Dubai Financial Services Authority's (DFSA) move to strengthen regulatory frameworks that govern emission disclosures in Dubai.

At the same time, banks in Mena also need to guard against the dangers of greenwashing – when environmental credentials are overstated and end up posing a risk to the bank's reputation. Banks have to deliver credible and transparent data, ensuring that their claims are soundly rooted.

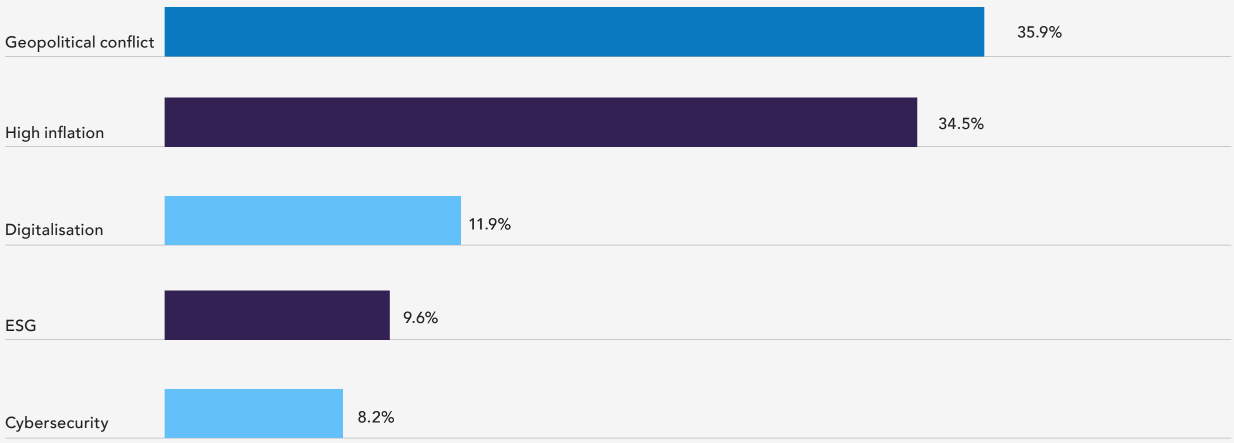
The key to success is for Mena banks to integrate climate resilience into their business models. That means putting climate risk at the forefront of banks' overall risk management processes.

Regional lenders are putting in the hard years on this front. In Kuwait, Gulf Bank's ESG Risk Management Framework integrates climate-related risks into its internal capital adequacy evaluations and decision-making processes. Qatar National Bank has developed a comprehensive ESG framework that informs lending and investment decisions, with an annual sustainability report quantifying progress.

Consumer and investor pressure will compel banks to integrate ESG principles into their core operations. That process should see more Mena financial institutions register progress in meeting climate resilience goals, even while some of their Western counterparts appear to be backing away from their own climate commitments.

GlobalData Polls

Themes will impact businesses the most in the next 12 months



Source: GlobalData (March 2025)

CASE STUDY

Maybank Singapore excels in entrepreneurial solutions

Bespoke financial solutions and strong investment banking capabilities are driving entrepreneurial growth in a competitive market

As the private banking industry evolves, the demand for personalised financial solutions that cater to the unique needs of entrepreneurs has surged. High-net-worth individuals (HNWI) increasingly seek services that not only manage their wealth but also support their business ventures.

This trend is particularly pronounced in the ASEAN region, where economic growth and rising wealth have created a fertile ground for entrepreneurial success. In response to these developments, Maybank Singapore has enhanced its private banking offerings, focusing on delivering tailored financial solutions that empower entrepreneurs to achieve their business objectives.

Achievements
Maybank Singapore's commitment to serving entrepreneurs is evident in its robust investment banking capabilities and the development of innovative financial products.

One of the standout achievements in 2023-24 has been the successful implementation of its Total Return Equity Swap facility in partnership with the Equity and Common Derivatives Group. This facility has provided clients with the necessary capital to fund their business ventures, ensuring they are well-positioned to take advantage of market opportunities.

Another significant achievement is the bank's collaboration with Maybank Sekuritas Indonesia to assist clients with Initial Public Offerings (IPOs) and private placements. This partnership has not only facilitated the growth of entrepreneurial ventures but has also helped clients restructure their businesses for greater efficiency and profitability. The bank's ability to provide tailored credit and financing solutions, including REPO financing and bridging loans, has further solidified its reputation as a trusted partner for entrepreneurs.

Impact and results
Maybank Singapore's bespoke financial solutions have had a far-reaching impact, contributing to the success of numerous entrepreneurial ventures.
For instance, the Total Return Equity Swap facility has enabled clients to secure the capital needed to expand their businesses and increase their market share.
The bank's collaboration with Maybank Sekuritas Indonesia has resulted in the successful completion of several high-profile IPOs, generating significant new assets for clients and boosting their market presence.
Maybank Singapore's tailored credit solutions have also had a positive impact on client satisfaction and business growth. The flexibility and responsiveness of the bank's offerings have empowered entrepreneurs to navigate complex financial landscapes and achieve their strategic objectives. The bank's role in facilitating cross-border transactions and investments has further enhanced its appeal to HNW individuals seeking to expand their operations in the ASEAN region.

Conclusion
Maybank Singapore's achievements in the past year reflect its unwavering commitment to providing innovative and customised financial solutions for entrepreneurs.

Through strategic partnerships, robust investment banking capabilities and a deep understanding of its clients' unique needs, the bank has positioned itself as a leader in private banking.

As Maybank Singapore continues to build on its successes and explore new opportunities for collaboration, it remains dedicated to empowering entrepreneurs and driving business growth in the ASEAN region.

CASE STUDY

Maybank Singapore emerges as critical partner for entrepreneurs

Strategic cross-border economic collaboration and tailored financial solutions are positioning Singapore as a hub for entrepreneurial private banking

In the dynamic landscape of private banking, the ability to adapt and cater to the unique needs of entrepreneurs has become increasingly critical.

The rise of new economic hubs and the demand for bespoke financial solutions have placed significant pressure on banks to innovate and provide tailored services. With the growing wealth segment in Asia, private banks must leverage their regional expertise and service offerings to meet the complex demands of high-net-worth individuals (HNWI) and business owners.

In this context, Maybank Singapore has emerged as a leader in private banking, particularly in supporting entrepreneurs with customised financial solutions that foster business growth and expansion.

Achievements
Maybank Singapore has strategically positioned itself as a trusted financial partner for entrepreneurs by leveraging its universal banking licence and the extensive network of Maybank Group across the ASEAN region.

One of the key achievements in 2023-24 has been the establishment and expansion of its Variable Capital Company (VCC) structure. This innovative offering, spearheaded by Maybank Asset Management, allows entrepreneurs to transfer and house their assets efficiently, providing a flexible and tax-efficient vehicle for managing their wealth. Additionally, Maybank Singapore has taken significant strides in offering bespoke structured credit solutions, such as Single Share Financing (SSF) and Single Asset Financing (SAF), which are tailored to the specific needs of entrepreneurial clients.

The bank has also made substantial progress in supporting cross-border business connections through its involvement in the Johor-Singapore Special Economic Zone (SEZ) initiative. By facilitating such trade and investment opportunities, Maybank Singapore is playing a pivotal role in enhancing economic collaboration between Johor and Singapore.

This initiative not only creates expansion opportunities for businesses but also addresses critical issues such as talent and labour shortages in the region.

Impact and Results

The impact of Maybank Singapore's initiatives has been profound, particularly in terms of client satisfaction and business growth.

The VCC structure has attracted a growing number of high-net-worth (HNW) entrepreneurs seeking efficient ways to manage and grow their assets. This, coupled with the tailored credit solutions offered by the bank, has empowered clients to seize market opportunities and achieve financial goals.

Maybank Singapore's involvement in the Johor-Singapore SEZ has further strengthened its position as a key player in fostering cross-border economic collaboration. By leveraging its regional expertise and strong network, the bank has successfully positioned itself as a go-to partner for entrepreneurs looking to expand their businesses in the ASEAN region. The creation of high-value-added jobs and the enhancement of business collaboration between Johor and Singapore are testament to the bank's strategic foresight and commitment to driving economic growth.

Conclusion

Maybank Singapore's strategic initiatives to support entrepreneurial growth through innovative and customer-centric solutions have set a new benchmark in the industry. As the bank continues to expand its offerings and deepen its collaboration with key stakeholders, it is well-positioned to lead the way in private banking for entrepreneurs.