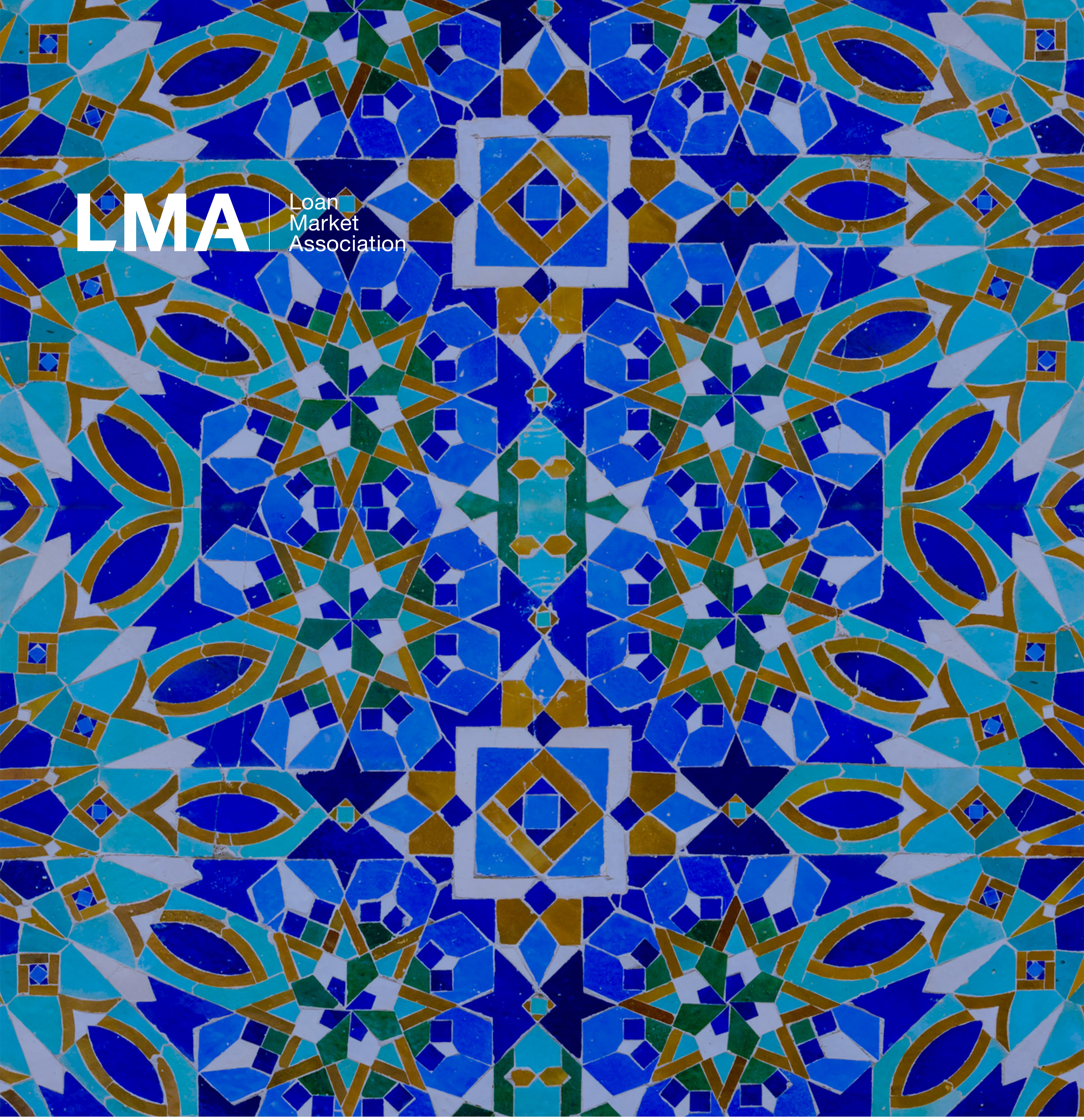

MOBILISING THE MARKETS:

The LMA's Expanding Middle East Footprint

October 2025

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The Loan Market Association's annual Middle East Conference reached new heights this year, welcoming a record 283 attendees from 120 firms. The energy in the room reflected not only the growth of our local membership but also the global attention the region now commands, with participants flying in from across Europe, Africa, and Asia.

The conference made clear that the market is changing rapidly. Topics such as private credit, fund finance, secondary trading, and tokenisation are now firmly on the regional agenda. Our role is to help shape this evolution, supporting innovation while ensuring that capital flows within sound regulatory and risk frameworks.

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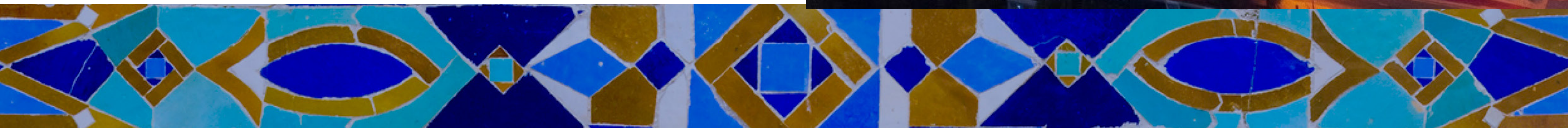

A strategic pillar in the global loan markets

The Middle East has become a core pillar of the LMA's strategic vision. As the region's loan markets deepen and mature, and as liquidity pools expand, it is essential that our work evolves in parallel. It is no longer enough to maintain what we have built, we must focus on what comes next.

Our plans are ambitious. The LMA Middle East Chapter will soon be locally staffed, supported by regular engagement from our wider team, and governed by a ME Committee and defined working groups. With over 100 members as our Middle East success measure, our foundation in the UAE will serve as a hub for growth across key regional lending jurisdictions, and ultimately as a bridge to our expanding work in North Africa.

Standardised documentation remains our North Star. In a milestone moment, the LMA will shortly release its first region-specific document: a **Shariah-compliant loan transfer certificate.** This will be the first step toward broader regionalisation, potentially including Arabic translations, documents adapted to local law, and in time, a comprehensive Shariah-compliant documentation suite.

Convening the market and investing in knowledge

The LMA's events have become the benchmark for the loan industry, and that same convening power will be mirrored in the Middle East. From 2027, we plan to host two annual events in the region, with 2026 focused on one major conference complemented by targeted roundtables. In parallel, our joint ICMA-LMA Africa summit in 2026 will explore further opportunities for collaboration across markets.

Learning and development remain central to our mission. Beyond expanding our online offerings, we are developing accredited, locally delivered certification programmes in partnership with regional institutions—ensuring that market participants have access to world-class education tailored to their context.

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The MENA Region: a growth story but understand the drivers behind it

This year's LMA Middle East Conference in Dubai emphasised that a degree of explanation is required when looking to understand the drivers of deal market activity across the MENA region. Muted loan volumes during the course of 2025, for example, by no means represents a lack of bankable transactions or lower than expected economic growth. Whilst issuance 2025 YTD is down at $91bn (mostly consisting of USD transactions from UAE and Saudi Arabia which equates to about two thirds of the market) when compared to 2024 ($130bn), that is in fact driven by a steep increase in bond market activity, which has effectively almost exactly offset the drop in loan market issuance.

In addition, current volumes do not reflect the increase in private credit, this being the new kid in town. Private credit is now rearing its head in all forms whether that be via asset managers, funds, institutional investors, pension money etc. Some of these investors are also targeting new, riskier sectors, where the loan market has traditionally been more hesitant as well as a greater focus on the private sector. Regardless of destination, private credit cash looks here to stay: current volumes of around $3-5bn are expected to reach $20-30bn in the not-too-distant future.

In terms of lenders, there remains fierce competition and an oversupply of ready to deploy liquidity: regional, Asian, European, Indian and US lenders are all active across sectors which include sovereigns and government-owned entities, financial institutions, project and infrastructure finance (driven by Vision 2030, Expo, tourism and logistics etc.) transportation and aviation as well as emerging ones including technology and data centres. That said, the main source of loan market liquidity still comes via UAE banks (who are looking to push the envelope with more competitive pricing and longer tenors, especially to financial Institutions (FI) borrowers).

Returns are considered "strong enough", whilst equivalent risk is seen to be lower than in other markets. Thus, it is a difficult market in which to underwrite except in respect of sub-investment grade and project finance transactions where value from underwriting is more obvious. Strong borrowers, however, have the luxury of bringing liquidity into their transactions via their relationship banks, which has led to more of a club deal environment (saving them on syndication costs). Oversubscriptions for strong credits are common, and documentation has naturally become more borrower-friendly as a result. This has also meant limited secondary market activity, unless par or premium trades. The secondary market is therefore quite opportunistic or a result of a sell-downs following large-ticket club transactions.

Demand for regional transactions has also led to banks with strong balance sheets to become more active outside their home MENA markets, specifically in the FI space. MENA liquidity is increasingly directed towards Turkey, some parts of Asian markets, and certain African banks.

Islamic Finance transactions have also developed in the past 12 months where even investors outside core Islamic finance lenders, including Chinese banks, are now becoming comfortable taking participations. This is an encouraging development that could lead to greater uptake as well as even documentation standardisation across the region.

Borrower perspective: navigating a borrower's market

The GCC remains very much a borrower's market, supported by abundant liquidity and a highly competitive banking environment. Investment-grade borrowers continue to attract strong interest, with regional and international lenders actively seeking exposure. The evolution of financing instruments has widened the range of available options, yet in an environment of rising funding costs and interest rate volatility, the role of relationship banks remains fundamental.

Importantly, these relationship networks now extend beyond domestic markets. Borrowers are increasingly building diverse banking groups combining local and global institutions, each offering complementary strengths across geographies and activities. For example, in the context of an IPO, international banks are often sought for their specialist expertise, while regional banks continue to provide flexibility and execution speed, both critical factors in a market where timing and responsiveness can define outcomes.

Private credit, while gaining visibility, still faces the challenge of defining its value proposition in such a borrower-friendly environment. Despite the "new kid on the block" narrative, the advantages of private credit engagement, particularly for investment-grade borrowers, remain to be fully articulated. Education on both sides will be key to unlocking cooperation and understanding how private credit can complement traditional bank lending structures.

Sustainability discussions are also advancing across the region, driven by both financial institutions and in-house borrower initiatives. However, given the limited pricing incentives currently available, adoption is largely motivated by credibility and impact rather than financial gain. "Use of proceeds" structures remain the most credible route to demonstrate sustainability alignment, though the focus continues to be heavily weighted toward environmental factors, with social considerations still underrepresented despite their growing local relevance.

Private credit: the "New Kid" comes of age

Although often portrayed as a recent entrant, private credit has in fact been present in the GCC since 2007–08 and is now becoming an established component of the regional financing landscape, most visibly in real estate. The traditional bank market remains highly liquid and competitive, yet private credit has carved a niche for itself by offering institutional flexibility, longer tenors, and creative structuring capabilities.

In practice, private credit is complementing rather than competing with bank liquidity. Banks continue to provide low-cost senior funding, while private credit can enhance flexibility and certainty within the capital stack, particularly in larger, more complex or mid-market transactions, where solutions bridging second-lien and mezzanine financing are in demand.

Macro tailwinds and strong regional fundamentals have strengthened the case for private credit expansion. The middle-market segment, in particular, remains underpenetrated and represents a significant growth opportunity. Regulatory developments have also been supportive, with clearer frameworks emerging to build investor confidence and enable fund participation.

Nevertheless, structural challenges remain. Enforcement regimes vary across jurisdictions: while onshore security processes can be slow and costly, financial free zones offer a more predictable and creditor-friendly environment. In practice, hybrid security packages remain the norm, balancing local banking requirements with offshore investor expectations.

Sustainability from headlines to embedded practice

Despite geopolitical uncertainty, sustainability remains firmly embedded in the regional financing landscape. This year's NY Climate Week was among the busiest on record, underscoring the enduring momentum of the ESG agenda. Borrowers increasingly recognise the tangible benefits of sustainable finance, from enhanced access to capital and improved pricing to its growing role as a marker of corporate resilience and governance quality.

While the post-COP27 and COP28 period has produced fewer headlines, this reflects maturity rather than fatigue. Sustainability-linked products have transitioned from being innovative to being mainstream, fully integrated into corporate financial strategy. The conversation has shifted from "why" to "how" sustainability is implemented across funding programmes.

Commitment to net-zero remains a long-term path towards 2050. Short-term headwinds, whether political or economic, have not derailed momentum. Even as some global banks recalibrate or exit alliances, regional lenders and corporates continue to embed sustainability objectives. COP30 will represent a key inflection point, with the revision of Nationally Determined Contributions expected to frame the next wave of transition-linked capital deployment.

Regulatory developments are accelerating, particularly around disclosure and data integrity. Transparency is now a strategic differentiator, enabling borrowers to align KPIs with disclosed data, build investor confidence and access a wider liquidity pool. Disclosure has evolved from a compliance exercise to a financial lever, shaping pricing, market access and stakeholder trust.

In terms of innovation, there are a number of innovative transactions emerging from the market. First Abu Dhabi Bank's (FAB) recent blue bond and Emirates NBD's sustainability-linked loan bond (SLLB) are clear examples of regional innovation, demonstrating how issuers are broadening the spectrum of sustainable instruments beyond traditional green or social formats. There is also increasing focus on engaging the SME community, particularly across supply chains, with initiatives such as partnerships with EcoVadis helping to simplify sustainability assessments and accelerate participation among smaller borrowers.

The direction of travel is also changing. The market is approaching a tipping point where securing finance for high-carbon ("brown") assets will require more justification than demonstrating a green footprint. As sustainability expectations tighten, transition finance will play a defining role.

Transition finance serves as a bridge between current industrial realities and the net-zero future. For Middle East economies, particularly energy exporters, it is central to maintaining economic relevance while decarbonising. The world will continue to depend on energy from this region for decades, given its relatively low production costs and emissions intensity. Transition finance, the "workhorse" of net-zero, enables capital to flow credibly to industries transforming their models while remaining globally competitive. The LMA's ongoing work to establish transition loan standards will be key in lending legitimacy and structure to this process.

Islamic finance, meanwhile, remains an underexploited area for sustainability integration. There is significant scope to align carbon markets with Sharia-compliant structures, for instance, by linking carbon credits and Islamic finance products, which could unlock a powerful new avenue for sustainable capital mobilisation in the region.

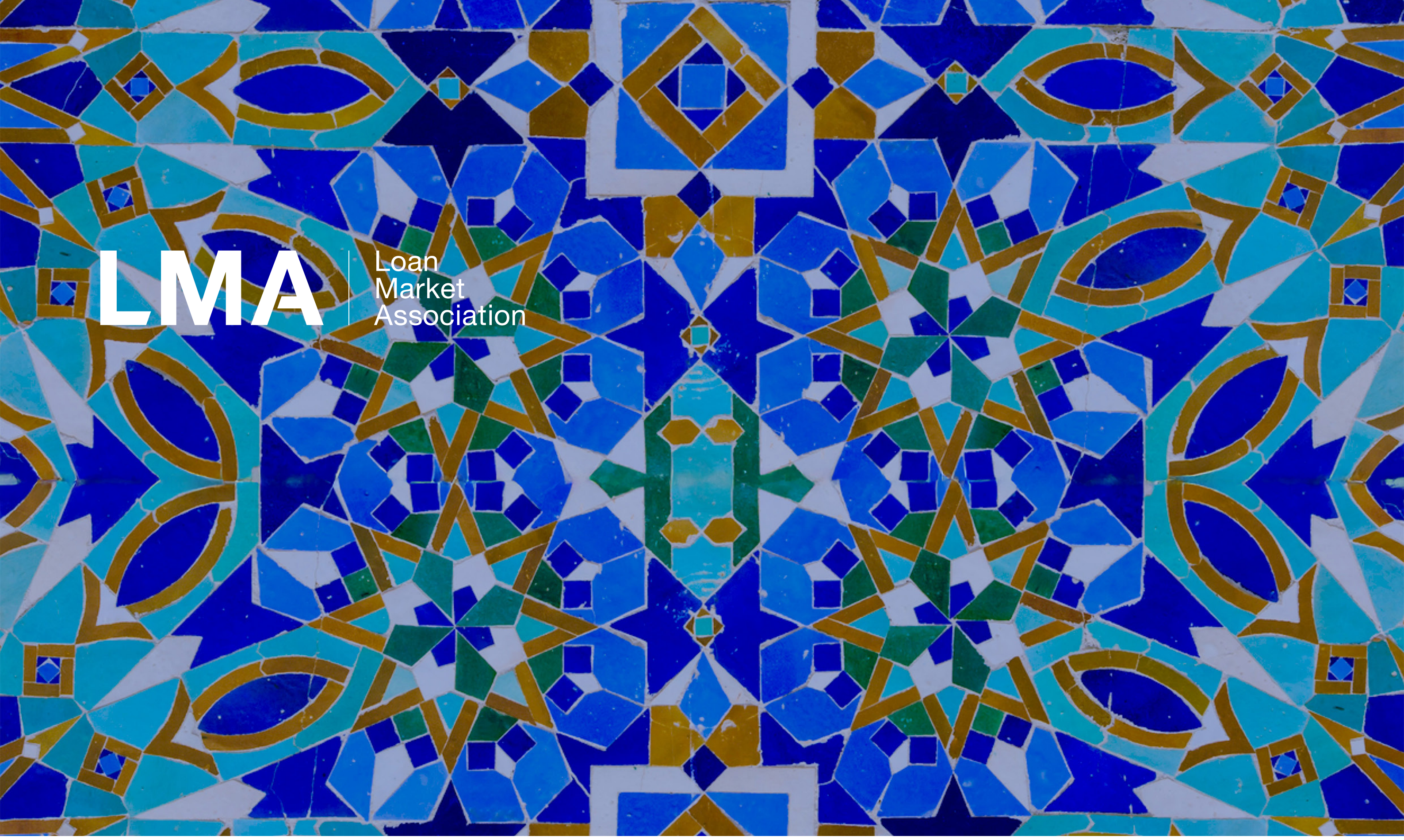
The regional conversation is increasingly one of credibility, not liquidity. Transitioning legacy sectors requires engagement, not exclusion. Initiatives such as Saudi Arabia's Vision 2030 and the UAE's diversified energy mix reflect active steps toward transition, with domestic financing already evolving to support these strategies. Engagement, education, disclosure and clear net-zero pathways will continue to underpin the regional approach.

As the market moves beyond the "easy wins" of early green finance, the role of the LMA and similar institutions becomes ever more important. Providing guidance, standardisation and market education will ensure that the next phase of decarbonisation remains credible, transparent and impactful. The coming years will demand more targeted, data-driven and accountable sustainability practices, marking a shift from ambition to measurable delivery.

A call to action

Partnership through mobilisation is not a one-way process. We encourage members to champion LMA initiatives within their firms and networks. The impact of our work depends on purposeful collaboration, between practitioners, borrowers, and lenders alike.

It is time to be bold, to reimagine what lending will look like in 2030 and beyond. The LMA stands ready to walk that path with our members, driving alignment, building confidence, and serving as both the voice of the Middle East loan markets and a global connector for the industry.



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