



مصرف البحرين المركزي

Central Bank of Bahrain

CENTRAL BANK OF BAHRAIN ANNUAL REPORT



2024

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Chapter

1

Monetary Policy Developments

Monetary Policy Management

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Monetary Policy Management

Monetary Policy Committee

The CBB Monetary Policy Committee (“MPC”) met on a weekly basis throughout 2024. The MPC closely evaluated economic and financial developments, monitored liquidity conditions, provided recommendations for monetary policy instruments and set interest rates on facilities offered by the CBB.

Reserve Requirements

All retail banks are required to maintain, on a monthly basis, a fixed percentage of their non-bank deposits (denominated in Bahraini dinars), in a non-interest-bearing account at the CBB. During 2024, the reserve percentage remained unchanged at 5%.

The total banks' Reserve Requirement balance outstanding in December 2024 was BD 623.518 million, with an increase of 5.15% compared to December 2023.

Domestic Interest Rates

Key Policy Interest Rates

In 2024, the CBB have changed its interest rates as follows:

- **On 19th September 2024**, the one-week deposit facility rate was decreased from 6.25% to 5.75%, the overnight deposit rate from 6.00% to 5.50%, the four-week deposit rate from 6.75% to 6.25% and the CBB lending rate from 7.00% to 6.50%.
- **On 10th November 2024**, the one-week deposit facility rate was decreased from 5.75% to 5.50%, the overnight deposit rate from 5.50% to 5.25%, the four-week deposit rate from 6.25% to 6.00% and the CBB lending rate from 6.50% to 6.25%.
- **On 19th December 2024**, the one-week deposit facility rate was decreased from 5.50% to 5.25%, the overnight deposit rate from 5.25% to 5.00%, the four-week deposit rate from 6.00% to 5.75% and the CBB lending rate from 6.25% to 6.00%.

Interbank Rates

By the end of 2024, the 3-month BHIBOR rate was 5.69%, compared to 6.51% at the end of 2023. The 6-month BHIBOR rate was 5.55%, compared to 6.48% at the end of 2023.

Standing Facilities

The standing facilities are a set of deposit and lending instruments the CBB offers to all retail banks. The total outstanding conventional retail banks' deposits with the CBB as of 31st December 2024 was BD 3.348 billion, compared to BD 3.578 billion in 31st December 2023, with a 6% decrease.

Islamic Standing Facilities

Wakalah Facility

Wakalah is a Shariah-compliant liquidity management tool for Islamic retail banks that was approved by the Shariah Board of the CBB. It is considered to be the first of its kind in the region and aims to absorb excess liquidity of the local Islamic retail banks by placing it with the CBB.

The total outstanding balance of Wakalah deposited by Islamic Banks was BD 40.520 million in 31st December 2024, compared to BD 89.383 million in 31st December 2023, with a 55% decrease.

Commodity Murabaha Facility

The Commodity Murabaha facility was launched in June 2024. It is a Shariah-compliant liquidity management tool based on the International Islamic Financial Market's (IIFM) Master Murabaha Agreement and is available for Islamic retail banks that aims to manage excess liquidity.

The total outstanding balance of Commodity Murabaha transactions executed by Islamic Banks was BD 641.123 million in 31st December 2024.

Murabaha Sukuk Service

Murabaha Sukuk Service is a Shari'ah compliant liquidity and borrowing tool for clients and Banks that has been developed through a collaboration between CBB and Bahrain Bourse.

A total of 589 Murabaha Sukuk transactions were executed with a total value of BD 5.678 billion during the year 2024, compared to 1,246 transactions with a total value of BD 7.682 billion in 2023, with a 26% decrease. The daily average number of transactions during 2024 was 2 transactions and the average daily value was BD 22.802 million.

Public Debt Tools

In accordance with the Central Bank of Bahrain (CBB) Law, the CBB issues, on behalf of the Government of the Kingdom of Bahrain, short and long-term debt instruments, which include Treasury Bills, Government Development Bonds, Sharia-compliant financing instruments, and other financial facilities. The issuance of all government debt instruments is executed in coordination with the Ministry of Finance and National Economy (MOFNE).

During 2024, the CBB issued conventional three-month Treasury Bills, denominated in Bahraini dinars, on a weekly basis, with an issue amount of BD 70 million. Six-month Treasury Bills were also issued, on a monthly basis, with an issue amount of BD 35 million and Twelve-month Treasury Bills with an issue amount of BD 100 million.

The CBB also issued, on a monthly basis, three-month Sukuk Al Salam for BD 43 million and six-month Ijara Sukuk for BD 26 million.

During 2024, the CBB, at the request of the MOFNE, issued domestic and international Government Development Bonds and Sukuks for different maturities, as follows:

- Local Government Development Bond with an issue amount of BD 285 million on March 14th, 2024, with a maturity of 2 years, and a fixed rate of 6.125%.
- Local Government Development Bond with an issue amount of BD 150 million on August 5th, 2024, with a maturity of 3 years, and a fixed rate of 5.875%.
- Local Government Development Bond with an issue amount of BD 185 million on November 10th, 2024, with a maturity of 3 years, and a fixed rate of 5.50%.

Moreover, the CBB completed one International Government Development Bond under the Global Medium Term Note Programme "GMTN Programme" and two Ijarah Murabaha Sukuk issuances under the Trust Certificate Issuance Programme "Sukuk Programme", as follows:

- **On February 12th, 2024, the CBB appointed HSBC, JP Morgan, National Bank of Bahrain (NBB), and Standard Chartered Bank (SCHB) as Global Coordinators and the following Joint Lead Managers (JLM's) to raise International Sukuk and Bond as follows:**
 - Bank ABC, Dubai Islamic Bank (DIB) and Mashreq Bank to raise \$1 billion in a 7-year Islamic Ijara Murabaha Sukuk under the Sukuk Programme (with a structure of 51% Ijarah & 49% Murabaha) priced at 6.00% and maturing on 12th February 2031.
 - Citibank, Emirates NBD Bank (ENBD) and First Abu Dhabi Bank (FAB) to raise \$1 billion in a 12-year Government Development Bond under the GMTN Programme priced at 7.50% and maturing on 12th February 2036.
- **On December 5th, 2024, the CBB appointed Dubai Islamic Bank (DIB), First Abu Dhabi Bank (FAB), JP Morgan, Kuwait International Bank (KIB), Mashreq Bank, National Bank of Bahrain (NBB) and Standard Chartered Bank (SCHB) as JLM's to:**

- Raise \$1.25 bn in a 7.5-year Islamic Ijara Murabaha Sukuk under the Sukuk Programme (with a structure of 51% Ijarah & 49% Murabaha) priced at 5.875% and maturing on 5th June 2032.

Additionally, in 2024 the CBB has also issued one Senior Unsecured Term Loan with an amount of \$1 billion and a Senior Unsecured Sharia Compliant Commodity Murabaha Facility with an amount of \$1.5 billion.

Chapter

2

Regulatory and Supervisory Developments

Regulatory Developments

Supervisory Developments

Regulatory Developments

Consultation paper: Proposed Amendments to Cyber Security Requirements

The CBB issued a consultation paper in January 2024 to all banks, payment service providers and crypto-asset licensees. The industry feedback was received and is currently under study. The proposed amendments require the specified licensees to subscribe to a cyber threat intelligence service and an external attack surface management (EASM) platform to enhance their cyber security posture.

Consultation paper: Methods of Notifications to Customers

As part of the CBB's efforts to take into account advancements in technology and changes in consumer behavior, the CBB issued a consultation paper to retail banks and other licensees requiring them to introduce a variety of secure methods of notifications to customers in respect of transactions and changes in their accounts as well as the option to select the preferred language for any notification. Such methods could include in-app notifications, email, SMS, etc. The industry feedback was received and is currently under study.

Consultation Paper: Interest Rate Risk in the Banking Book Module (Module IR)

As part of the CBB's objective to enhance its regulatory framework, the CBB in January 2024 issued a consultation paper to conventional banks on a new proposed Interest Rate Risk in the Banking Book Module.

The proposed Module requires banks to have appropriate policies, processes, procedures, systems and controls to identify, monitor and mitigate such risks. The industry feedback was received and is currently under study.

Climate-related Financial Risks

The CBB issued in January 2024 a circular to all banks on the recently issued consultative document by Basel Committee on Banking Supervision - "Disclosure of climate-related financial risks" on 29 November 2023. The consultation on Pillar 3 disclosure framework forms part of Basel Committee's approach to addressing climate-related financial risks to the global banking system.

Banks are also encouraged to look at "Principles for the effective management and supervision of climate-related financial risks" issued by Basel Committee in June 2022. In this regard, the Basel Committee also issued a "Frequently asked questions on climate-related financial risks" which discusses, among other matters, issues related to impact on capital adequacy.

The CBB encouraged licensees to provide their comments on the consultative document directly to the Basel Committee within the stipulated deadline.

Amendments to the dividends and profit repatriation Requirements

The CBB, in January 2024, introduced amendments to the dividends and profit repatriation requirements for conventional and Islamic banks after thorough study. These amendments include the following:

Deletion of the paragraph: "Ensure that the Total Comprehensive Income is adequate to cover the proposed dividends; and replacing it with the paragraph: "Ensure that the amount of realised profits included in the retained earnings as at the year-end is sufficient to cover the proposed dividend amount".

Requirements for the provision of crypto-asset services by investment firms - Volume 4

The CBB issued in January 2024, detailed rules for investment firms wishing to offer services involving crypto-assets in the Authorisation Module and Financial Crime Module under the CBB Rulebook - Volume 4.

The directives require investment firms to obtain the CBB's prior approval before offering such services, and Investment firm licensees must not undertake the activity of dealing in crypto-assets as principal. The directives also included requirements for crypto asset transfers, wire transfers and additional relevant definitions were added to the glossary.

Open Banking:

The CBB issued in May 2024, the final amendments after consulting the financial sector and studying the comments received, which allow legal entities access to open banking offerings. The amendments included additional reporting and disclosure requirements for banks and Account Information Services Providers (AISPs) and Payment Initiation Service Providers (PISPs). Additionally, retail bank licensees must add the "embedded flow" method for initial customer consent and authentication. The new requirements are effective from 1st September 2024 and the reporting/disclosure requirements come into effect for the period ending 30th September 2024.

Second Consultation Paper: Proposed Amendments to the Capital Adequacy Module (Part 2)

The CBB issued in July 2024 a second consultation paper following the receipt of feedback from banks on the CBB's initial consultation on the proposed amendments to credit risk, Capital Adequacy Module of the CBB Rulebook - Volume 1. The proposals set out in this consultation paper aim to enhance risk measurement and improve allocation of capital for credit risk exposures. The second consultation draft takes onboard practical issues raised by some of the conventional banks.

The CBB received banks' feedback on the second consultation paper which is currently under review.

Amendments to the Resolutions relating to Professional Associations that are subject to the Central Bank of Bahrain and Financial Institutions Law

As part of the CBB's objective to develop the financial sector the CBB in September 2024 issued amendments to the following Resolutions after consulting the industry:

- Resolution No. (36) of 2024 amending some provisions of the Regulations on Professional Associations issued by Resolution No. (27) of 2008, and
- Resolution No. (37) of 2024 amending some provisions of the standard form for articles of association of Professional Associations issued by Resolution No. (28) of 2008.

These Resolutions include amendments regarding the formation of the Board of Directors and composition, the term and method of their election, provided that they include Domestic Systemically Important Financial Institutions. The Resolution also included a definition of Domestic Systemically Important Financial Institutions.

Tax on Multinational Enterprises:

The CBB in September 2024, issued a circular to licensees in accordance with Decree-Law No. (11) of 2024 regarding the implementation of Tax on Multinational Enterprises, which is effective on 1st January 2025. Accordingly, licensees to whom the provisions of the tax law are applicable are required to prepare for timely implementation.

The law introduces a Domestic Minimum Top-Up Tax (DMTT) that will apply to multinational enterprises operating in Bahrain with a consolidated annual revenue exceeding Euro 750m in two of the last four fiscal years.

The CBB urged licensees to contact the National Bureau for Revenue for further information.

Consultation Paper: Proposed new Fit and Proper Requirements Module

As part of the CBB's objective to develop the financial sector, the CBB in October 2024 issued a consultation paper on the proposed new Fit and Proper Requirements Module which will be applicable to all licensees.

The proposed Module will supersede the Training and Competency Modules in the CBB Rulebook, and the requirements related to 'fit and proper' under Approved Persons Conditions in the Licensing Requirements Modules and Authorisation Modules of the Rulebook. The industry feedback was received and is currently under study.

Proposed Stablecoin Issuance and Offering Module

The CBB in October 2024, issued a consultation paper on the proposed Stablecoin Issuance and Offering Module, which includes several requirements, including but not limited to the types of Stablecoins permitted for offering, licensing requirements and conditions, business standards and ongoing obligations. The CBB is currently studying the comments received.

Resolution No. (43) of 2024 Regarding the Conditions and Licensing Procedures of Undertaking trustee Services

The CBB in November 2024, issued Resolution No. (43) of 2024, regarding the Conditions and Licensing Procedures of Undertaking Trustee Services and other requirements. The Resolution introduces a new trust service provider category which is Trustee C. The new category is able to operate as a Managed Trust Company (MTC). The above-mentioned resolution supersedes resolution No. (33) of 2018 and is effective from 15th November 2024.

Consultation: Proposed Netting Law

As part of the CBB's objective in enhancing its regulatory framework, the CBB in December 2024 issued a consultation paper on "Netting Law", which is based on the International Swaps and Derivatives Association's (ISDA) Model Netting Act to supersede the Resolution No. (44) of 2014 with respect to promulgating a Regulation for Close-Out Netting under a Market Contract, issued by the CBB on 7 December 2014. The industry feedback was received and is currently under study.

Banking Supervision Directorates

Objective 1: Promoting Stability and Soundness in the Banking System:

CBB, continued with its proactive monitoring of banks and financial institutions with the aim of protecting the interests of banking services users as well as promoting financial stability and soundness of the banking industry through employing risk based supervisory techniques and persisted with regulations which facilitate enhanced transparency and disclosures. Accordingly, the CBB undertook the following measures during 2024.

- 1. Monitoring of Banks BOD and Governance Structures:** As part of its efforts to evaluate the performance of Banks' board, CBB continued to review the annual corporate governance reports submitted by licensees. The review encompassed attendance and role played by Directors in the Board Meetings, the structure of BOD committees and the appointment of independent directors reporting regarding conflict of interest among others. Furthermore, CBB also reviewed the organization structure of licensees including their succession plan.

2. **Related Party Exposures:** The related party exposures of locally incorporated banks continued to be monitored on a monthly basis with the objective of limiting any risk concentration and to ensure such exposures compliance with CBB's rules.
3. **Monitoring of Impaired Loans Portfolio:** As part of its efforts to proactively monitor the assets quality of banks, CBB on a quarterly basis monitored the impaired loans portfolio of banks to keep track of any abnormal changes in portfolios. Banks were accordingly advised to take measures to check the growth in impaired loans portfolios.
4. **Domestic-Systematically Important Banks (D-SIBs):** As part of its supervision of D-SIBs, CBB continued with its quarterly reviews of their financial performance and bi-annual prudential meetings which covered various supervisory issues including their performance during the year. Alongside, CBB also reviewed their Recovery and Resolution Plans (RRPs) which are submitted annually.
5. **Monitoring the Level of Real Estate Exposures:** CBB continued to monitor real estate exposures of banks on a quarterly basis with the aim of controlling risk concentration to the volatile sectors.
6. **Implementation of New Initiatives:** CBB continued with its approach of promoting the use of technology to enhance banking services and fraud controls. Accordingly, banks were instructed to apply fraud risk management systems and utilize IDV technology for digital onboarding of customers as well as for transactions.
7. **Prudential Meetings:** CBB's Conventional Banking Supervision Directorates conducted prudential meetings with the licensees during the year which discussed the previous years performance, licensees' strategy for the ensuing year, and other supervisory issues.
8. **Meeting on Financial Statements:** CBB conducted annual meetings with locally incorporated banks and financing companies, in the presence of their external auditors to discuss year-end financial results before such statements are submitted to the respective Board of Directors for approval. The meetings deliberated issues pertaining to recognition of income, valuation practices, impaired assets, breakdown and adequacy of provisions among others.
9. **Supervisory College Meetings:** As part of coordination with home regulators on cross border supervision with the objective of enhancing supervision of branches of foreign bank licensees, CBB attended supervisory college meetings organized by home regulators in the UK, UAE and India.
10. **Open Banking Framework:** CBB continued to monitor the implementation of both phases of the new Bahrain Open Banking Framework by their licensees with the objective of ensuring their compliance with the CBB's requirements.
11. **Studies/Surveys:** As part of its proactive supervisory approach, CBB continued to undertake special studies/surveys with objective of enhancing its understanding of banking services across the financial sector.

Objective 2: Providing Appropriate Degree of Protection to Users of the Financial System:

12. **Compliance with the "Code of Best Practice on Consumer Credit and Charging":** CBB continued to monitor compliance of retail banks and financing companies to the provisions of the Code, with the objective that licensees act fairly, responsibly and reasonably in dealing with their customers and are transparent in their dealings.

- 13. Meeting with banks on customer centricity:** CBB continued its meetings with banks on the need to promote customer centric culture including enhancing the quality-of-service delivery to customers while fixing accountability and responsibility for deficient customer service. The meetings reviewed banks' progress towards achieving the desired results in achieving customer satisfaction and expeditious resolution of customer complaints.

Objective 3: Promoting Transparency and Market Discipline:

CBB continued with its efforts towards promoting transparency and market discipline in line with Basel 3 Pillar 3 guidelines, continued with its oversight of public disclosures made by its licensees.

- 14. Public Disclosure by Banks:** To achieve the aforesaid objective of enhanced transparency and disclosures to the stakeholders, CBB continued to monitor banks' compliance with its requirements on public disclosures
- 15. Enforcement Actions:** CBB, continued to enforce high standards of compliance by its licensees, through effective supervision and enforcement of its rules with the ultimate objective of bringing down the risks for the financial system and the consumer, by using the mechanism of effective enforcement. Accordingly, and as stipulated in Article 38 of the CBB Law, the Conventional Banking Supervision Directorates at the CBB have taken two enforcement actions against their licensees including imposition of penalties, during the year 2024.

Islamic Financial Institutions Supervision

During 2024, the Islamic Financial Institutions Supervision Directorate ("IFISD") has continued focusing on enhanced supervision on both Banks and Ancillary Service Providers, while also ensuring employees development through relevant training programs. IFISD is always working on increasing collaboration and synergies with key departments in the CBB, including policy, licensing, complaints unit, and banking services departments.

IFISD was involved broadly with Licensing Directorate in assessing new applications of multiple new companies seeking CBB license, including AISP/PISP, crowdfunding platform operators and payment service providers.

The Directorate has received multiple Licensees operated under the CBB rulebook Volume 5, type 7 (Ancillary Service Providers) which reflects the growing economy in Bahrain in the financial technology sector. The Directorate has worked with the new licensees to set the grounds by sending Compliance Road maps that lead them to a proper compliance framework which helps them facilitate and improve their business. Additionally, IFISD along with Fintech and Policy unit has engaged in meetings with the Account Information Service Providers "AISPs" and Payment Initiation Service Providers "PISPs" to help this type of licensees to expand their open banking services scope and therefore enhancing the services available for the community in Bahrain.

IFISD has also worked closely with the Policy unit in the CBB to help with changing the rulebook requirements to match the licensees' needs. These changes include but not limited to the Fit and Proper assessments, the Credit Risk Management Module, the Payment services regulations and the Open Banking requirements.

Furthermore, due to the increased number of Frauds, IFISD has scheduled meetings with Banks to understand the basis for these frauds and the increased number of cases during the year. IFISD has instructed many Banks to enhance their Fraud monitoring and teller services by sending multiple instructions which match each licensee's weaknesses. These instructions which are related to Security

and Fraud prevention measures included the onboarding of customers through the digital applications and the provisions of apple pay, google pay and other payment methods.

In addition to the above, IFISD has also scheduled meetings with Banks to emphasize on the importance of complying with the directive issued by the Ministry of Industry and Commerce “MOIC”, Resolution No. (43) with regards to the “payments for commercial transactions of commercial entities” and encourage them to clarify the process of opening accounts for SMEs to their clients and do not complicate the process for these types of companies.

IFISD continued focusing on developing the knowledge and skills of its staff by enrolling them in BIBF training courses (technical and soft skills). Moreover, IFISD’s staff participated in virtual and physical conferences, seminars and training courses, including Soft Skills programs tailored for enhancing Leadership, Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) provided by the Office of the Comptroller of the Currency (OCC).

Finally, IFISD had a crucial role in receiving delegations from abroad and sharing IFISD’s experience and supervisory method with other regulators. IFISD believes in the importance of sharing experiences with fellow regulators, to continue to enhance the supervision of ASPs and Islamic Banks, as well as seeing growth in the sectors not only in Bahrain but regionally as well. During the year 2024, IFISD has received delegations from Jordan and Yemen, which were both fruitful meetings for all parties.

Inspection Directorate

Risk Based Framework (CMORTALE)

The Inspection Directorate carried out inspection visits in 2024 across various licensees, including banks, insurance firms, investment firms, specialized entities, crypto-asset services, and CIUs, to assess their control frameworks and achieve on-site supervisory objectives. The Directorate employed a risk focused examination approach using the CMORTALE methodology, which included the following assessment elements - capital adequacy, management quality, operational risk, risk management, transparency and disclosure, asset quality, liquidity and earnings. The methodology assesses the risk profile of CBB’s licensees with the ultimate objective of promoting the safety and soundness of the financial institutions. The outcome of the inspection includes urging licensees to ensure effective management and identifying regulatory actions required to maintain financial stability via reducing the risk of insolvency, and instances of losses to depositors or investors; thus, ensuring consumer protection and mitigating any potential loss of market confidence.

Enhancements to Risk Profiling Methodology

Given the ever-evolving global regulatory landscape, emerging risks and various pronouncements by global standard setting bodies like the Basel Committee of Banking Supervision (BCBS), the Inspection Directorate continued its effort during the year to strengthen the risk assessment and profiling methodology of its licensees’ business, control failure and systemic risks, and assess the emergent risks from the innovative financial products. During the year, the Inspection Directorate revised and updated the risk rating methodology. In recognition to the diverse risk profile of bank and non-bank licensees and keeping in mind the growth of fintech and ancillary service providers, separate risk creating methodology and computational worksheets were prepared for different categories of licensees. Separate models for conventional banks, Islamic banks, insurance companies, investment firms, and specialized service providers enabled granular and representative risk profiling. The enhanced framework is included in the pre-inspection and post-inspection risk profiling exercise.

Business Model Reviews

In alignment with the guidance issued by the BCBS, an enhanced business model review methodology was developed and implemented as part of the inspection process to assess the sustainability of the licensees' business models. The business model assessment framework identifies business model weaknesses such as unrealistic business projections, unsustainable risk appetite, declining competitive position, management deficiencies and inadequate attention to consumers' needs. The changing landscape of the financial sector necessitates redesigning of business models, and the new business model assessment framework is structured to sensitize financial institutions on their strategic deficiencies in relation to global benchmarks.

Initiatives in 2024- Digitalization, Model Validation and ESG Reviews

In view of the rapid increase in digitalization in the banking and non-banking segments of the financial sector, the Inspection Directorate continued to refine its procedures to effectively assess licensees. The new framework included additional on-site review components such as:

- Review of models/systems using Artificial Intelligence and Machine Learning
- Real Time Fraud Assessment Systems
- Remote End Point Footprints (including mobile security)
- Payment Systems framework (e.g. Apple Pay reviews and reviews of payment service providers in issuing, acquiring and interoperability domains)
- Open Banking, Fintech and Insurtech companies
- Crowdfunding Platforms
- Investment business structures and Step in Risk
- ICAAP and Stress Testing Models
- Liquidity management and Contingency funding arrangements.

With the objective of adapting to the changing regulatory framework, the Inspection Directorate expanded the inspection framework to include gap assessments of Environmental, Social and Governance (ESG) practices of licensees.

Cyber Security Risks

The digitalization of the financial sector has led to a greater focus on cybersecurity risks and associated controls. During the year, the Inspection Directorate continued its effort to strengthen the cybersecurity audit program and enhanced the cybersecurity vigilance with automated tools and platforms specialized in assessing licensees' external surface and scanning their externally facing or publicly accessible assets; enabling the Directorate greater insights of the assets and attack surface and, at the same time, allow real time peer analysis of licensees within the same industry and benchmarking cybersecurity risks. The Directorate reviewed cyber fraud and incident response plans of licensees and provided suitable recommendations through inspection findings.

Review of Fraud Risk

During the year, the Inspection Directorate conducted several examinations of online frauds, with a view to protect customers in the Kingdom of Bahrain. In on-site review feedback, the Directorate reiterated the need for automated real time fraud monitoring of banks having an online footprint, the necessity to capture early warning signals, real time detection of fraud and prompt corrective action were emphasized to licensees to ensure sound, stable and safe business environment, transaction environment for consumers and businesses in the Kingdom.

Consumer Protection and Conduct Assessment

With a view to fulfilling the core supervisory objective of consumer protection, the Inspection Directorate continued to examine consumer protection practices using a detailed assessment framework encompassing review of strategy, governance and culture, adequacy of product design, fair and equitable treatment to consumers, disclosure adequacy and data privacy. During the year, extensive focus was given towards review of conflict of interests and related party transactions, succession planning, whistleblowing framework and consumer centricity across the product life cycle, from product, design, initiation, delivery and change management.

Privacy by Design

The Inspection Directorate continued to support the implementation of Personal Data Protection Law (PDPL) of the Kingdom of Bahrain in the financial sector. To this end, the Inspection Directorate strengthened its on-site supervision methodology for its review of the compliance of licenses with privacy laws. The Directorate intensified its review of consent mechanisms, both in Physical contractual forms and online agreements during customer onboarding. It has also assessed the continuous oversight of data at rest, in transit and violations to any clause of privacy Law along with the emphasis on governance and controls to ensure privacy protection. Further, the Directorate stressed the role of technology in managing data privacy, also known as privacy by design.

Compliance Project

During the year, the Inspection Directorate carried out an extensive compliance project to determine supervisory priorities for the coming years. This exercise aims to evaluate the common violations identified during on-site examinations conducted by the Central Bank of Bahrain (CBB) across banks in recent years. The overarching goal is to provide a comprehensive understanding of recurring risk management, governance, and operational deficiencies within the sector and their potential implications for systemic stability. Through the lens of a risk-based supervisory framework, these violations are analyzed to identify early warning signals of bank fragility and systemic weaknesses, offering valuable insights for shaping supervisory priorities. The study encompasses both locally incorporated banks and branches of foreign institutions operating within Bahrain, ensuring a holistic view of the sector's challenges. Key risk areas examined include credit risk management, liquidity risk, operational risk, consumer protection, and governance. The findings underscore the significance of aligning practices with regulatory requirements, enhancing strategic oversight, and bolstering compliance frameworks to mitigate emerging risks and safeguard financial stability. This report also sets the stage for outlining critical priorities for on-site examinations in the coming year, ensuring a forward-looking approach to supervision.

Continuous Professional Development (CPD) Initiatives

Driven by a steadfast commitment to professional development and in response to the growing regulatory emphasis on robust risk management practices and the transformative impact of FinTech on traditional financial models, the Inspection Directorate continued its efforts to enhance staff expertise through continuous professional development (CPD) efforts. By identifying and implementing targeted training programs, the Directorate aimed to equip its team with the skills and insights required to effectively evaluate emerging trends and risk management frameworks within the financial sector.

In addition to addressing individual training needs of the Inspection team, several staff members participated in notable programs, including the CBB Supervisory Skills Development Program and the Forensic Accounting Training program, further enhancing their professional acumen during the year.

Developments in the Regulatory and Supervisory Framework

Amendments to the CBB Rulebook - Volume 6, Capital Markets

During 2024, the CBB endeavoured to complete the implementation of its plan for the development and update of the capital market sector's legislative, regulatory and supervisory framework, in line with international standards and best practices in consultation with the stakeholders and interested parties in this sector and all other financial sector components in Bahrain. The aim is to create a suitable environment for the development of business activities of the capital markets by way of licensing suitable market institutions and the encouragement of the diversification of listing and trading of new and innovative securities and financial instruments, along with enhancing the standards, the regulations and the mechanisms of supervision of all the businesses and activities of capital market institution.

In line with its initiative to foster innovation and position the Kingdom of Bahrain as a regional leading hub in the digital economy, the CBB continues to adopt a proactive approach in formulating a regulatory landscape that encourages the adoption of crypto assets, enabling investors to leverage the benefits of these emerging technologies while providing the ultimate level of protection and ensuring that all potential risks are mitigated.

The CBB's Capital Markets Supervision Department ("CMSD") is driven by a systematic methodology entailing precise action and supervision for the protection of the sector from potential risks arising, ensuring the adherence and fulfilment of obligations by all relevant parties involved in the capital markets, and boosting investor confidence.

Developments in the Regulatory and Supervisory Framework

- **Amendments to the CBB Rulebook - Volume 6, Capital Markets**

In January 2024, the CBB issued amendments to the Anti-Money Laundering & Combating Financial Crime ("AML") Module of the CBB Rulebook Volume 6. The update specifically removed the mandatory verification of natural persons' "place of birth" during the customer due diligence process. In August 2024, the CBB issued amendments to various modules of the CBB Rulebook Volume 6 to align with Bahrain Bourse's ("BHB") implementation of an alternative market-making mechanism aimed at improving liquidity (known as the "BHB Market Making Guidelines"). This update also included renaming the existing framework as "Liquidity Enhancement Program" formerly known as "Market Making".

- **Consultation Paper on the Draft Framework for the Issuance and Offering of Stablecoins**

As part of the CBB's initiative to further develop the crypto-assets market, the CBB issued a consultation paper in October 2024 regarding its new regulatory framework for the issuance and offering of stablecoins. This framework will allow licensed stablecoin issuers to introduce fully backed single currency stablecoin, backed by either the Bahraini Dinar, the US Dollar, or any other fiat currency acceptable by the CBB. The framework aims to provide comprehensive guidance on the regulatory requirements, including business standards and the issuer's ongoing obligations, reserve assets and redemption rights, stablecoin whitepaper requirements, as well as technology governance and cyber security, amongst others.

Financial Services Sector Development Strategy

In December 2021, the Government of Bahrain initiated the Financial Services Sector Development Strategy, which aims to greatly contribute to position BHB as a leading regional financial market. With the support of the CBB, BHB continues to develop its operations to improve the capital markets' functionality, benefit the national economy, provide more quality job opportunities, and attract investments.

The CMSD, along with team members of BHB and Bahrain Clear B.S.C.(c) ("BHC"), are actively working on initiatives aligned with the capital markets development strategy. These initiatives include promoting listings on the Bahrain Investment Market ("BIM"), seeking inclusion in emerging markets indices, facilitating dual listings with GCC countries, and establishing regional and international connections for clearing, settlement, and central depository systems.

Supervision of Exchanges, Clearing, Settlement and Central Depositories and their Members and Crypto-Asset Service Providers

During 2024, the CMSD remained dedicated to promoting transparency, fairness, and efficiency within Bahrain's capital markets, ensuring that the necessary infrastructure for a safe and effective market continued to operate smoothly. The CMSD prioritized promoting international best practices and enhancing regulatory effectiveness. Regular reviews of interim and annual financial statements, along with off-site general supervision, enabled ongoing monitoring of licensees' compliance with established rules. The CMSD assessed both quantitative indicators and qualitative factors, including corporate governance and risk management, ensuring the stability and health of market participants. The CMSD collaborates closely with other departments and directorates within the CBB to assess different licensing applications, establish rules and regulations and ensure licensees' overall compliance with the CBB's rules and regulations, in order to achieve its overarching regulatory goals and continually strive for improvements.

It is worth highlighting that the crypto asset market in the Kingdom of Bahrain has witnessed a significant growth, in term of the number of licensed entities and the type of crypto-assets activities and products offered to the market. During the year 2024, the number of licensed crypto-asset service providers has increased from 5 to 7 licensees with licenses granted to ATME B.S.C.(C) ("ATME") and BitOasis Bahrain W.L.L. to operate as a Crypto-Asset Service Provider - Category 4 and Category 2 respectively.

In addition, the CBB granted its in-principal approval to five additional entities to obtain crypto-asset licenses, subject to satisfying the applicable licensing conditions and requirements.

Moreover, the amendments made to the CBB's crypto-assets framework have encouraged market participants to expand their activities, which now includes a variety of products such as crypto-asset derivatives (futures and options), over-the-counter trading, market making, and structured products linked to crypto assets' underlying. Further, the CMSD is currently working with its newly licensed entity -ATME to start offering its services as a digital token advisor, providing a platform for the issuance of the digital tokens as a new activity to be introduced in the market. Offering the aforementioned services was subject to obtaining the CBB's necessary approval and demonstrating the licensees' ability to offer such activities along with the assessment of the risk mitigation measures that will be put in place.

Furthermore, the CMSD conducted prudential meetings with all its licensees for the year. For conventional capital market institutions, the meetings were held under the theme "Technology, Digitalization, and Automation". The meetings reviewed the performance of the licensees in the past year, their strategic future directions specifically in relation to the theme of the meeting of technology, digitalization, and automation, and other relevant ongoing issues. As for the crypto-asset service providers, the meetings were held under the theme of "Custody and Wallet Management", during which the CMSD conducted a thorough review of the practices implemented by the licensees with regard to the handling of clients' funds as well as the technology and cyber security measures

governing the client asset wallets, among other policies related to the safekeeping of clients' funds, and discussed the licensees' other ongoing matters.

The CMSD actively supported the Self-Regulatory Organizations ("SRO"), BHB and BHC, to update their business rules and introduce new guidelines during the year, to align with international best practices with the aim of enhancing market integrity and efficiency. More specifically, BHB has issued new guidelines for market making and has also issued a new technical short selling framework along with BHC. The licensed exchange has also made amendments to its Bahrain Investment Market (BIM) Rules as well as its listing rules. Furthermore, in an effort to enhance market efficiency, BHC has implemented its newly issued Deliver Versus Payment framework.

Offering and Listing of Securities

Offering of Securities

During the year 2024, the CMSD issued its no objection on the use of a total of Fifty-Five (55) offering documents (compared to 61 offering documents in 2023) after ensuring compliance with the relevant requirements under the CBB Law and the Offering of Securities (OFS) Module of CBB Rulebook Volume 6, as follows:

Type of Security	Type of Offering	Issues Value (in US\$)	No. of Issues	Type of Approval
Ordinary Shares	Private Placement	1,999,217,356	25	Registration – Article (81)
	Public	10,154,739	1	Registration – Article (81)
	Public	1,720,000,000	1	Filing - Exempt from Article (81)
Conventional Bond	Government	1,000,000,000	1	Filing - Exempt from Article (81)
	Private Placement	8,000,000,000	3	Filing - Exempt from Article (81)
Convertible Additional Tier 1 Capital Securities	Private Placement	400,000,000	1	Filing - Exempt from Article (81)
Islamic Sukuk	Government	2,250,000,000	2	Filing - Exempt from Article (81)
	Private Placement	1,100,000,000	3	Filing - Exempt from Article (81)
	Private Placement	1,250,000,000	2	Registration – Article (81)
Structured Products	Private Placement	-	16	Filing - Exempt from Article (81)
Total		17,729,372,095	55	

Offers of securities in comparison to last year (variance analysis):

Type of Offering	2024 (in US\$ millions)	2023 (in US\$ millions)	Variance (in US\$ millions)	Var %	No. of issues 2024	No. of issues 2023	Var
Private Placement – Ordinary Shares	1,999.22	2,843.73	-844.51	-30%	25	25	0
*Public – Ordinary Shares	10.15	0.00	10.15	100%	1	0	1
Marketing - Public Ordinary Shares	1,720.00	0.00	1,720.00	100%	1	0	1
Marketing - Private Placement Conventional Bond	8,000.00	5,500.00	2,500.00	45%	3	3	0
Private Placement - Islamic Sukuk	1,250.00	650.00	600.00	92%	2	3	-1
Marketing Private Placement Islamic Sukuk	1,100.00	3,100.00	-2,000.00	-65%	3	2	1

Governmental – Conventional Bond	1,000.00	1,000.00	0.00	0%	2	1	1
Governmental - Islamic Sukuk	2,250.00	1,000.00	1,250.00	125%	1	1	0
Private Placement - Convertible Additional Tier 1 Capital Securities	400.00	0.00	400.00	100%	1	0	1
Marketing - Structured Products	-	-	-	-	16	26	-10
Total	17,729.37	14,093.73	3,635.64	469%	55	61	-6

*Al Abraaj Restaurants Group B.S.C. Initial Public Offering

The CMSD issued a no objection letter on 13 November 2024 on Al Abraaj Restaurants Group B.S.C.'s ("Abraaj") Initial Public Offering ("IPO") and the registration of the above-mentioned prospectus in relation to the offering and listing of the shares of Abraaj pursuant to the Article (81) of the CBB Law, the OFS Module and the CBB's Resolution No. (11) of the year 2018 in respect of the implementation of the Self-Regulatory Organization model for the Exchanges licensed by the CBB in relation to listing securities and financial instruments post initial public offerings.

The IPO consisted of an offer for the sale of thirty-eight million one hundred eighty-one thousand eight hundred eighteen (38,181,818) which represent 35% of the entire post initial public offering issued share capital of the Company at an offer price of BHD 0.236, and that comprise of 90,000,000 existing shares and the company increased the capital by issuing 19,090,909 new shares, of which initially 26.73m offer shares (70% of offer shares) were allocated to Professional Applicants and 11.45m offer shares (30% of offer shares) were allocated to Retail Applicants.

Based on the provisional results of the applications and as a number of Professional investors exceeded the maximum allocation possible of 10% of the offer size, their bid was reduced to such limit and the excess was allocated to the retail category, allowing for a full allocation of retail investors and the underwriter acquired around 7.4 million shares.

The CMSD issued its no objection on the final allotment on 12 December 2024, and the shares commenced trading on 19 December 2024.

Change in Capital

The CMSD issued its no objection on the change in capital of the following listed companies:

Listed company	Increase/Reduction	Reason	Date of CMSD NOL
Khaleeji Bank B.S.C	Increase in capital	Conversion of AT1 Capital	14 March 2024
INOVEST B.S.C.	Increase in capital	Issue of Bonus Shares.	21 March 2024
Esterad Investment Company B.S.C.	Increase in capital	Issue of Bonus Shares.	27 March 2024
Bank of Bahrain and Kuwait B.S.C.	Increase in capital	Issue of Bonus Shares.	28 March 2024
Al Salam Bank B.S.C.	Increase in capital	Issue of Bonus Shares.	1 April 2024

Listing of Securities

The CMSD issued its no objection on the listing of the following securities/financial instruments on Bahrain Bourse:

Security/Financial Instrument	No. of Issues	Value (in BHD millions)
Government 3M Treasury Bills	40	2,800
Government 6M Treasury Bills	12	420
Government 12M Treasury Bills	12	1,200
Government 6M Short Term Islamic Lease (Ijarah) Sukuk	12	312

Government Development Bond (Issue No. 35, 36 and 37)	3	620
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Pursuant to the CBB's Resolution No. (11) of the year 2018 in respect of the implementation of the Self-Regulatory Organization model for the Exchanges licensed by the CBB in relation to listing securities and financial instruments post initial public offerings, Bahrain Bourse issued its approval on the listing of Al Abraaj Restaurants Group B.S.C.'s ("Abraaj") simultaneously with the issuance of the CMSD's no objection letter on the initial public offering and the registration of the prospectus in relation to the offering and listing of the shares of Abraaj.

Delisting

The following securities/financial instruments were delisted from Bahrain Bourse:

Security/Financial Instrument	No. of Issues	Reason
3 Months Treasury Bills issues	40	Due to maturity
6 Months Treasury Bills issues	12	Due to maturity
6 Months Ijarah Sukuk issues	12	Due to maturity
12 Months Treasury Bills issues	12	Due to maturity
Government Development Bond (Issue No. 13, 19 and 26)	3	Due to maturity

The CBB provided its no objection on the delisting of Banader Hotels Company B.S.C. ("Banader") from Bahrain Bourse's mainboard on 7 August 2024 due to the official liquidation of Banader in accordance with Resolution No. (17) of 2012 in respect of Listing and Trading of Securities and Financial Instruments in Exchange licensed by the CBB.

Disclosure, Governance & Investor Protection

Listed companies' board of directors meetings & disclosure of financial statements as per Resolution No. (54) for the year 2015

1. Most of the publicly listed companies have complied with the requirement of notifying the Bahrain Bourse regarding the dates of their Board of Directors' meetings. However, in regard to the listed companies that have not adhered to the above-noted requirements, the CMSD issued a non-compliance letter to one company during the second quarter of 2024, after-which the Board of Director's meeting was announced.
2. Most publicly listed companies have complied with the requirement to publish the annual financial results for the year 2023 and interim financial results for the year 2024 within the specified timeframe. Further, The CMSD issued a non-compliance letter to one company for early disclosure of quarter 3 financial results prior to the prescheduled Board of Directors Meetings to approve the results.
3. In addition, all listed companies have complied with publishing the aforementioned statements and publishing them in at least two local newspapers (one in Arabic and one in English), except for Bahrain Middle East Bank B.S.C. ("BMB").
4. All publicly listed companies published the specimens of the annual financial results for the year 2023 and interim financial results for the year 2024, except for BMB on all interim financial results for the year 2024, respectively on Bahrain Bourse's website.

5. Although BMB is suspended from trading due to its non-compliance with the above as it pertains to the years 2018 and 2019, BMB has published on November 16, 2023, the annual financial statements for the year 2020, 2021, and 2022. Further, it has published on the 6 of November 2024 the financial results for the year 2023. Yet, BMB remains suspended due to accumulated losses and its non-compliance of the above for the interim financial results of all periods of 2024.

Disclosure Standards

- **Disclosure of Material Information:**

The CMSD ensures that all publicly listed companies are committed to disclosing material information that may affect stakeholders that deal in securities as per the rules and requirements of the CBB's Disclosure Standards (particularly with regards to the content, timing and disclosure of information on the Bahrain Bourse website). Cumulatively across 2024, the number of the announcements made by the listed companies pertaining to the disclosure of material information reached 1733 announcements.

- **General Meetings:**

The CMSD has approved the agendas for all listed companies' Annual General Meetings, in addition to other general meetings held as outlined below:

Company	General Meeting	Purpose
Arab Banking Corporation B.S.C. ("ABC")	Extra-Ordinary	To approve the issuance of Additional Tier 1 Capital Securities.
Khaleeji Bank B.S.C. ("Khaleeji")	Extra-Ordinary	To approve the increase the issued and paid-up capital and to convert 47% of Additional Tier 1 Capital Sukuk into ordinary shares.
Bahrain National Holding Company B.S.C. ("BNH")	Extra-Ordinary	To Approve the Sale Transaction Involving 100% Of the Shares Owned by Bahrain National Holding Company B.S.C. in Bahrain National Insurance Co. B.S.C. (C) and Bahrain National Life Assurance Company Co. B.S.C. (C) Including the Transfer to Solidarity Bahrain B.S.C.
APM Terminals Bahrain B.S.C. ("APMT")	Extra-Ordinary	To amend the Memorandum & Articles of Association relating to the Activities/Objects of the company.
Ithmaar Holding B.S.C. ("Ithmaar")	Extra-Ordinary	To discuss and approve the proposed sale and transfer of certain assets and liabilities of the Company, Ithmaar Bank B.S.C. (Closed) and IB Capital B.S.C., to GFH Financial Group B.S.C
United Gulf Holding Company B.S.C. ("UGH")	Extra-Ordinary	To approve transferring USD 169,557,963 from the Share Premium Reserve to the Retained Earnings.

- **Share Transfers**

Employee Share Option Plan (ESOP)

The rules governing ESOP within the Offering of Securities (OFS) Module of Volume 6 of the CBB Rulebook were amended in 2017. The afore-mentioned amendments stipulate that all listed companies must hold the securities held on behalf of their employees under an ESOP in a trust held by a trustee. Pursuant to the above, in 2024, the CMSD issued its no objection on the amendments to the ESOP and related

documents of 3 companies. In this regard, the CMSD also approved 7 share transfer requests from and to the trustees' accounts for the benefit of listed companies' employees.

Listed Companies' Memorandum & Articles of Association (MAOA)

During the year 2024, the CMSD approved 3 applications on the amendment of certain provisions of their respective MAOA following shareholders' approval.

Market Making

1. The CMSD issued its no objection letter on 16 of April 2024 to Eskan Bank B.S.C (c) to terminate SICO's market making activity for Eskan Bank Realty Income Trust (EBRIT) shares on Bahrain Bourse.
2. The CMSD issued no objection letters to Alba and Beyon to extend SICO's market making activity on Bahrain Bourse using approximately 3% of issued share capital.
3. The CMSD issued its no objection letter to GFH and NBB to appoint SICO's market making activity on Bahrain Bourse using approximately 3% of issued share capital.
4. The CMSD issued its no objection to GFH to appoint BHM Capital Financial Services PSC's market making activity for GFH shares on Abu Dhabi Financial Exchange and Dubai Financial Market using a maximum of 3% of GFH's issued share capital.

Market Surveillance

The latest developments from a market surveillance perspective are as follows:

1. During 2024, the Market Surveillance Department identified a total of 14 suspected cases related to trades executed on the BHB, of which the preliminary examination results were as follows:
 - 12 cases were closed due to insufficient evidence of a breach.
 - 1 suspected case have been transferred to the Investigation and Enforcement Department for onwards examination.
 - 1 suspected case has been issued with a Non-compliance Letter
2. The Market Surveillance Department continues to update and monitor disclosures made by CBB's employees on their ownership in listed companies, if any.
3. The Market Surveillance Department continues to monitor orders placed and trades executed by liquidity providers on a periodic basis, to ensure their compliance with CBB's market making rules encompassed within the CBB Rulebook, Volume 6 and Bahrain Bourse's Liquidity Providing Guidelines. The department additionally monitors the trading activities of key persons and major shareholders of Bahrain Bourse's listed companies.
4. Furthermore, the Market Surveillance Department conducts a thorough analysis monthly examining significant developments witnessed in Bahrain's capital markets for the month and issues a related bulletin for CBB's internal consideration.
5. The Market Surveillance is in the process of updating several articles within CBB's Volume 6 Market Abuse and Manipulation Module to keep up with the developments in trading and investment trends.

6. The Market Surveillance in its efforts of adopting a surveillance system have signed mutual Non-Disclosure Agreements with vendors that provide such surveillance platforms to move discussions forward and receive a complete quote to further study the feasibility of adopting a surveillance system.
7. The CMSD issued its no objection letters to the following listed companies, allowing them to purchase treasury shares:

Listed Company	Purpose
BBK B.S.C.	Support share price and liquidity in the market and Employee Share Option Program
ESTERAD Investment Company B.S.C.	Support share price and liquidity in the market
Bahrain Cinema Company B.S.C.	Support share price and liquidity in the market
GFH Financial Group B.S.C.	Capital reorganization and Employee Share Option Program
Bahrain & Kuwait Insurance Company	Support share price and liquidity in the market
Al Salam Bank – Bahrain B.S.C.	Support share price and liquidity in the market
Takaful International Co. B.S.C.	Support share price and liquidity in the market
Bahrain National Holding Company B.S.C.	Support share price and liquidity in the market
Seef Properties B.S.C.	Support share price and liquidity in the market

Compliance and Enforcement

Non-Compliance by a Self-Regulatory Authority (“SRO”)

1. The CMSD issued a Financial Penalty dated 5 March 2024, to an SRO for the non-adherence to the requirements of CSD-3.1.1 (b,c,d,g,i,j) of the Clearing, Settlement and Central Depository (“CSD”) Module of Volume 6 of the CBB Rulebook, in relation to dividends distribution.
2. The CMSD issued a Non-compliance Letter dated 7 April 2024, to an SRO for non-adherence to the requirements of MAE-A.4.4 (a,b,c,d) of the Markets and Exchanges (“MAE”) Module of Volume 6 of the CBB Rulebook, which is in relation to publication of key persons and major shareholders’ transactions announcements.
3. The CMSD issued a Non-Compliance Letter dated 21 May 2024, to an SRO for non-adherence to the requirements of MAE-2.1.1 (b,g,h) of the MAE Module of Volume 6 of the CBB Rulebook, which is in relation to the delay in the appointment of a Head of Risk Management.
4. The CMSD issued a Non-Compliance Letter dated 6 October 2024, to an SRO for non-adherence to the requirements Article 1.1.7 of the CBB’s Outsourcing Requirements, due to failure to notify the CBB within 5 working days of the date of the signing of the outsourcing agreement.

Non-Compliance by Crypto-Asset Service Providers (“CASP”)

1. The CMSD issued a Non-Compliance Letter dated 25 March 2024, to one of its licensed CASP for its non-adherence to the requirements of CRA-4.1.1 (a,b,e) of the Crypto-Asset (“CRA”) Module of Volume 6 of the CBB Rulebook, due to the inaccurate display of prices of crypto-assets on its platform caused by an error in the company’s system.
2. The CMSD issued a Non-Compliance Letter dated 3 April 2024, to one of its licensed CASP for its failure to comply with the requirements of CRA-4.5.2 of the CRA Module of Volume 6 of the CBB Rulebook, due to utilizing related party bank accounts to manage client money. Given the above, and in consideration with other violations committed by the abovementioned

CASP, the CMSD issued a Financial Penalty dated November 2024 to the abovementioned CASP, to which it practiced its right to appeal to the Appeals Committee, which was ultimately rejected, and the applicable Financial Penalty was imposed on the CASP on 12 January 2025.

3. The CMSD issued a Non-Compliance Letter dated 20 August 2024, to one of its licensed CASP for its failure to comply with requirements of CRA-2.2.1 of the CRA Module of Volume 6 of the CBB Rulebook, in relation to deficiency in the requirements related to the place of business.
4. The CMSD issued a Non-Compliance Letter dated 26 September 2024, to one of its licensed CASP for its failure to comply with the requirements of CRA-8.1.3 (a,b,c) and CRA-8.1.6 of the CRA Module of Volume 6 of the CBB Rulebook pertaining to safekeeping of clients' assets.
5. The CMSD issued a Non-Compliance Letter dated 6 October 2024, to one of its licensed CASP for its failure to comply with the requirements of CRA-4.5.2 and CRA-4.5.5 of the CRA Module of Volume 6 of the CBB Rulebook, in relation to not maintaining a client money bank account.
6. The CMSD issued a Non-Compliance Letter dated 29 October 2024, to one of its licensed CASP for its failure to comply with the requirements of CRA-5.3.1, CRA-5.3.2, CRA-5.3.4, CRA-5.8.1, CRA-5.8.10 and CRA-8.1.3 of the CRA Module of Volume 6 of the CBB Rulebook, in relation to cyber security controls and safekeeping of clients' assets.

Non-Compliance by Members of SROs

A Member of an SRO was issued a Non-Compliance Letter dated 5 December 2024, for its non-adherence to the requirements of MAM-3.1.2 and MAM-3.10.19 of the Prohibition of Market Abuse and Manipulation ("MAM") Module and MIR-A.4.4(a) of the Market Intermediaries and Representatives License ("MIR") Module of Volume 6 of the CBB Rulebook, in relation to market misconduct.

Non-Compliance by a Placement Agent

The CMSD issued a Non-Compliance Letter dated 23 May 2024, to one of the placement agents of an offering of securities, for its failure to comply with the requirements of OFS-1.4.3(b) of the Offering of Securities ("OFS") Module of Volume 6 of the CBB Rulebook, due to marketing of structured products in bearer form instead of registered form.

Non-Compliance by an Offeror Company in relation to a TMA Transaction

The CMSD issued a Non-Compliance Letter dated 22 January 2024, to an offeror to acquire shares in a listed company in BHB, for its failure to comply with the requirements of TMA-2.18.1 and TMA-2.18.2 of the TMA Module of Volume 6 of the CBB Rulebook, due to the offeror's failure to publish the results of the offer within the required timeframe.

Non-Compliance by Listed Companies

1. Notification of Non-Compliance to the Monthly Statement of the Register of Interest Requirements in accordance with the requirement to disclose ownership interests by shareholders owning 5% or more in shares of listed companies within 5 business days from the end of the month, a number of listed companies have been notified for failing to deliver the report during the required timeframe as outlined below:

Number of Non-Compliance Cases Related to the Submission of Monthly Statement of the Register of Interest for Year:		Percentage Change
2023	2024	
4	5	25%

2. Notification of Non-Compliance to Submission of Annual Verification of the Insiders' and the Key Persons' Data Register

The CMSD issued Non-Compliance Letters to 2 Listed Companies as a result of their non-adherence to MAM-2.15.6 stipulated in the MAM Module of Volume 6 of the CBB Rulebook pertaining to the Annual Verification of the Insiders' and the Key Persons' data register, which is to be submitted no later than 10 days after the company's Annual General Meeting date.

3. Notification of Non-Compliance to the MAM Module of Volume 6 of the CBB Rulebook

The CMSD issued a Non-Compliance Letter dated 13 May 2024 to a Listed Company for its failure to comply with the requirements of MAM-2.14.2 of the MAM Module of Volume 6 of the CBB Rulebook, due to trading of the company, in its capacity as a Permanent Insider, during a prohibited period after publication of the financial statements.

The CMSD issued a Non-Compliance Letter dated 27 November 2024 to a Listed Company for its failure to comply with the requirements of MAM-3.1.2 of the MAM Module of Volume 6 of the CBB Rulebook, for the utilization of treasury shares in a manner not in line with acceptable market practices.

4. Notification of Non-Compliance with the Requirements of the TMA Module of Volume 6 of the CBB Rulebook

The CMSD issued a Non-Compliance letter dated 14 August 2024 to the Chairman of the Board of a Listed Company for the non-adherence to the requirements of TMA-3.1.1(b) and TMA-3.1.2 of the TMA Module of Volume 6 of the CBB Rulebook, due to the listed company's (and persons acting in concert with it) failure to extend a mandatory offer to the shareholders. to acquire up to 100% of the shares of the offeree company.

5. Notification of Non-Compliance to the Disclosure Standards

The CMSD issued 3 Non-Compliance Letters to the Listed Companies that have not met the requirements of Disclosure Standards in the following manner:

Disclosure Standards	Number of Contraventions
Publication of inaccurate disclosure with regards to changes in major shareholding	1
Failure to notify CMSD of change in Senior Management of the company	1
Failure to Notify the CMSD of Changes in the company's Major Shareholding	1

Complaints Handling

Supplementing the CBB's Consumer Protection Unit's Role in handling complaints CBB-wide, the table below summarizes the 10 complaints, which were received and examined by the CMSD in 2024:

Complaints	Number of Complaints
Listed Companies	
Complaint in relation to a Listed Company's Financial Statements Disclosures on BHB	2
Validity of the Agenda Items in relation to a Listed Company's General Meeting	1

Delay/Non-Disclosure of Material Information	2
Complaint pertaining to a Sale Transaction on a Listed Company's Subsidiary's Shares	1
Placement Agent/Lead Manager of a Private Placement	
Imposition of Management Fees on Investors after the Specified Investment Period	1
Crypto-Asset Service Providers	
Loss of Trading Opportunity Due to Technical Problems	1
Erroneous Display of a Crypto-Asset's Price on the Platform	1
Company's Rejection to Withdraw the Client's Crypto-Assets to Certain Platforms	1
Total	10

Takeovers, Mergers and Acquisitions

The CMSD is supervising and monitoring the ongoing developments in relation to the following potential transactions, with key developments seen below:

Parties	Potential Transaction	Key Transaction Developments
1- Bahrain Family Leisure Company B.S.C. ("Family") and Dividend Gate Capital ("Dividend Gate")	Merger or Acquisition	<p>On 13 October 2022 Family signed a Memorandum of Understanding (MoU) with Dividend Gate, which marks an introduction to a merger or acquisition of the food and beverages units of Dividend Gate (Truffle) by Family through a share exchange. Family appointed SICO B.S.C. (c) as its adviser.</p> <p>On 25 November 2024 Family and Dividend Gate entered into a conditional agreement that is contingent upon the successful completion of due diligence.</p> <p>The transaction will be carried out through a share swap with Family issuing new shares equating to 58% of its share capital being transferred to Truffle's shareholders in exchange for 100% of Truffle's shares, and Truffle will then become a wholly owned subsidiary of Family.</p>
2- Delmon Poultry Company B.S.C. ("Delmon") and General Poultry Company ("GPC")	Merger	<p>On 3 March 2024, Delmon announced that they have discussed the Memorandum of Understanding ("MOU") sent by GPC on 12 December 2023 regarding the merger of the two companies, and the Board decided not to sign the MOU, and that a non-disclosure agreement ("NDA") to be signed to carry out the necessary studies to complete the merger process.</p> <p>On 3 April 2024, Delmon announced that a meeting was held with Mumtalakat to discuss some observations regarding the proposed merger. On 26 March 2024, Delmon sent a letter to the GPC expressing the board's in principle approval of the proposed structure and of taking the necessary steps to arrive at the merger execution agreement.</p> <p>On 16 May 2024, Delmon announced the signing of the agreement in order to initiate the revaluation of both companies and the due diligence study, and to determine the swap ratio for the proposed merger between the two companies.</p> <p>On 23 June 2024, Delmon announced the appointment of KPMG Fakhro as a financial advisor, and has begun to work on the necessary studies in order to determine the swap ratio for the merger.</p> <p>On 21 October 2024 the financial advisor of the Company, KPMG Fakhro, completed the preparation of the financial valuations of the two companies and the proposed initial swap ratio for the merger.</p>

3- National Bank of Bahrain B.S.C (“NBB”) and Bank of Bahrain and Kuwait B.S.C (“BBK”)	Merger	<p>As of 19 December 2024, Delmon and GPC are still in negotiations to determine the swap ratio.</p> <p>On 25 June 2024:</p> <ul style="list-style-type: none"> - NBB appointed Goldman Sachs International- Dubai International Financial Centre branch as financial advisor and Freshfields Bruckhaus Deringer W.L.L as legal advisor on the potential merger. - BBK also announced the appointment of City Group Global Markets Limited as financial advisor on the potential merger. <p>On 6 November 2024 both parties announced commencement of discussions on the preliminary procedures for the potential merger</p> <p>On 13 November 2024 NBB and BBK executed a non-disclosure agreement to govern information sharing and parties are currently in the process of reviewing the respective business plans.</p>
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External Participations:

Gulf Cooperation Council (GCC)

1. **The 18th Meeting of the GCC Financial Integration Strategy Working Group:** matters discussed included the implementation plan of the passporting regulation for investment funds and the standardized Know Your Customer (“KYC”) procedures initiative.
2. **The 28th and 29th Meetings of Heads of GCC Capital Markets Authorities Committee (or their equivalent):** the implementation of the passporting regulations for investment funds has been scheduled to take effect in January 2025 across member states that have completed their respective legislative procedures. The committee also discussed the implementation plan of the joint initiative to simplify trading account opening procedures by enabling licensees to utilize unified Know Your Customer (KYC) requirements, on a voluntary basis. In this regard, the CMSD issued a circular to its licensees addressing the implementation of the said initiative and set up a respective webpage for implementation of the same.
3. **The 5th Joint Meeting of Heads of GCC Capital Markets Authorities Committee (or their equivalent) and Heads of GCC Markets:** matters discussed during the meeting included the possibility of centralizing payments of dividends through the central depository, the initiative of encouraging cross-listing between the member states, and the initiative of exploring the electronic linkage of clearing and central depositories across the member states.
4. **The 10th Meeting of the working group of Heads of Training Divisions at the GCC Capital Markets Authorities:** the CMSD participated in the 10th meeting of the working group of the Heads of Training Divisions at the GCC Capital Markets authorities held virtually on 13 September 2024 to discuss the progress attained with regard to the action plan for implementing the agreed upon mechanisms of cooperation and integration in studies, data, and information between the GCC’s capital market authorities.

Latest developments of cooperative initiatives stemming from the Saudi-Bahraini Coordination Council

Work on Cooperation Initiative Assigned by the Coordination Committee in the Fields of Economy, Energy, Trade & Industry Stemming from the Saudi-Bahraini Coordination Council: the CMSD and the Capital Market Authority (“CMA”) of the Kingdom of Saudi Arabia have worked towards achieving the proposed deliverables of the assigned initiative: “harmonization of regulations and procedures adopted in the capital markets to facilitate

investment and trading for citizens and investors from the two Kingdoms". During the year, the CMSD and the CMA signed a memorandum of understanding (MOU) in this regard and has affected the related execution plan for the MOU and the initiative in general.

International Organization of Securities Commissions

1. **Annual Meeting of the International Organization of Securities Commissions ("IOSCO"):** the CBB, as a member of the IOSCO, participated in the 49th IOSCO Annual Meeting and its accompanying workshops to discuss and address issues facing securities market regulators and supervisors such as sustainable finance, investor protection, SupTech, and digital assets. The meetings were held from 26 to 29 May 2024 in Athens, Greece.
2. **Annual Meeting of the IOSCO's Growth and Emerging Markets Committee ("GEMC"):** the CMSD on behalf of the CBB as a member of the IOSCO GEMC participated in its Annual Meetings and workshops, including the inaugural meeting of the GEMC Network for Adoption of ISSB Standards, which were held from 17 to 19 December 2024 in Ankara, Turkey.

International Cooperation:

Pursuant to the Memorandum of Understanding between the CBB and IOSCO, and the Memorandum of Understanding between the regulators of financial markets of the GCC member states:

Incoming Requests for Assistance (Fit and Proper Requests and Requests for Assistance)	21
Outgoing Requests for Assistance to IOSCO Members and IOSCO Forum	26
Inquiries, Studies, and Surveys which the CBB Participated In (From IOSCO and IOSCO Members)	25

- **The IOSCO's African/Middle East Regional Committee's ("AMERC") Market Development Working Group:**

The CMSD's representatives joined the AMERC Market Development Working Group on 25th January 2024, which aims to provide a platform for the exchange of expertise on topics related to capital market development, exchange of information and best practices and discussing updates amongst the Working Group's Members.

Financial Institutions Supervision Directorate ("FISD")

The Financial Institutions Supervision Directorate (FISD) supervises a number of financial institutions, namely, Investment Business Firms (Categories 1, 2, 3, 4, and Family Office Services), Money Changers, Trust Service Providers Categories A, B and C, Representative Offices of Investment Firms and Administrators.

In carrying out its responsibilities, the FISD ensures that all of the licensees under its supervision comply with the Central Bank and Financial Institutions Law and their respective regulations through CBB Rulebook Volumes 4 and 5. Additionally, FISD is responsible for the authorization and notification process of Bahrain domiciled and overseas funds, as appropriate, and the supervision of such funds through the implementation of the rules within CBB Rulebook Volume 7.

During the course of 2024, FISD continued to fulfill its responsibilities by implementing rules and regulations and using various supervisory tools, including in-depth financial analysis, prudential meetings with management of licensees, formal requests for information from the sector, liaising

internally with other Directorates at the CBB, in addition to the ongoing monitoring of licensees through regular communication and exchange of correspondence.

As part of its supervisory role in monitoring the Collective Investment Undertakings (CIUs') sector, FISD also continued to use its supervisory tools to monitor the industry and ensure adherence to the rules and regulations stipulated in CBB Rulebook Volume 7 (CIUs) and other relevant regulatory requirements.

To ensure market discipline, the FISD has coordinated with the Inspection Directorate to conduct thematic inspections on certain financial institutions that are involved in the marketing and placement of mutual funds in the Kingdom of Bahrain, as well as those providing services to local funds, such as investment managers administrators, custodians, trust service providers, etc)

Developments achieved/made considerable progress during 2024

Being vigilant of the continuous developments in the local, regional and international financial centers, the CBB continuously enhances its existing regulations to ensure parity with best market practice, and identifies gaps based on industry demand and international developments.

As a result of such strategy, the FISD identifies certain areas for development and sets at the beginning of each year objectives which are then executed.

The aim of this inspection plan is to assess the effectiveness of those institutions in performing their roles and responsibilities and their regulatory compliance with Volume7 of CBB Rulebook.

Laws and Resolutions:

In November 2024, the CBB issued Resolution No. (43) of 2024 regarding the Conditions and Licensing Procedures of Undertaking Trustee Services, replacing Resolution No. (33) of 2018.

This resolution introduced a new category to the existing list of trustee categories, which is category C trustees.

Circulars:

On 14th January 2024, the CBB issued circular no. OG/13/2024, addressed to Investment Business Firms, informing the licensees of the amendments to the Authorisation, to include the requirements pertaining to offering services involving crypto-assets.

On 19th November 2024, the CBB issued Circular no. OG/334/2024 informing all investment business licensees, trust service providers and fund administrators of the issuance of Resolution No. (43) of 2024 regarding the Conditions and Licensing Procedures of Undertaking Trustee Services.

Regulatory and Rulebook Updates:

During 2024, FISD continued to develop the rules and regulations pertaining to its licensees, either by way of updating existing rules or introducing new rules. A number of initiatives commenced and updates to Directives were issued throughout the course of the year, as follows:

CBB Rulebook Volume 4

With respect to the area of Investment Business, the CBB undertakes regular exercises with the objective of reviewing and updating the existing rules and regulations, in light of the latest market developments in the financial sector and international best practice. As a result, quarterly updates to the Rulebook were issued during the year 2024.

In January 2024, the CBB issued an update to the Authorisation Module, to include the requirements pertaining to offering services involving crypto-assets.

In addition, the CBB has updated the Glossary of CBB Rulebook Volume 4 to add the definitions of certain terminologies related to crypto-assets.

CBB Rulebook Volume 7

Collective Investment Undertakings Developments

The FISD is in the process of updating Rulebook Volume 7 to incorporate the Regulatory Framework for the Cross-Border Registration of Financial Products between the Regulatory Authorities Regulating GCC Capital Markets and the Cross-border Registration Regulation for Investment Funds, and to create a new chapter in relation to the “GCC Fund Passporting Regime, under the CIU Module of Rulebook Volume 7

Additionally, the directorate aims to digitize the application form for the Cross-border Registration of CIUs, making it accessible on CBB’s website to streamline the registration process.

As part of the CBB's initiatives to provide clear and accessible guidelines and to promote the establishment of investment funds in Bahrain, the FISD has introduced a Frequently Asked Questions (FAQs) document. This document serves as a comprehensive summary of the Collective Investment Undertaking Module (Module CIU) of CBB’s Rulebook Volume 7, complementing its contents. It offers straightforward guidance on key areas such as CIU/PIU classifications, acceptable legal structures for fund companies, responsibilities of the operator, custodian, and placement agent, as well as the authorization and notification regime. Furthermore, this initiative aligns with best practices followed in leading financial markets such as Luxembourg, Ireland, and the Dubai Financial Services Authority.

During the course of 2024, the FISD continued to ensure that Bahrain domiciled CIUs/PIUs and placement agents of overseas domiciled CIUs adhere to the requirements of CBB Rulebook Volume 7 issued in March 2022.

During 2024, the CBB registered in its records 122 overseas domiciled CIUs to be marketed in Bahrain, as well as 4 Bahrain domiciled CIUs.

Promoting stability and soundness in the financial system

During the course of 2024, FISD continued to monitor the performance of the financial institutions under its supervision, through various supervisory tools, including the scrutinizing of financial reports submitted by licensees on a monthly or quarterly basis and through conducting regular management meetings.

Providing an appropriate degree of protection to users of the financial system.

Protecting the clients of financial institutions is a main objective of the FISD, observed in both supervising financial institutions and collective investment undertakings (CIUs).

As part of the process of supervising financial institutions, the FISD ensures that any staff who offers financial products to clients are satisfactorily qualified in terms of education and required years of experience, in line with the Training and Competency Module, to undertake this activity, thus reducing the risk of mis-selling to clients.

Moreover, the Code of Practice within the Business Conduct Module of Rulebook Volume 4 comprehensively addresses the measures that Investment Business Firms are required to adhere to in addressing the public.

Additionally, the FISD ensures that all CIUs offered publicly or privately, are either authorized or notified, as applicable, and are marketed to the appropriate category of clients only by eligible financial institutions.

Promoting transparency and market discipline.

Transparency and market discipline are observed at all times in the process of supervising licensees. As a result, FISD ensures that any information that should be disclosed to the public, is done so in a transparent and timely manner. Additionally, the FISD ensures that the sector as a whole, adheres to reporting requirements prudently.

Additionally, the review of rules and regulations that enhance the level of transparency and market discipline is an ongoing process.

On the other hand, all CIUs are scrutinized to include minimum information to be contained in a prospectus in order to achieve a prudent standard level of transparency.

Additionally, CIUs are required by virtue of the rules that regulate such products, to disclose any amendments to the prospectus to the unit holders, on a timely basis.

FISD ensures that any related information is made available to unit holders at all times. Additionally, unit holders are informed of certain information with regards to their investments in the funds, on regular intervals.

Insurance Supervision Directorate

The Insurance Supervision Directorate (“ISD”) at the CBB has applied a range of measures to enhance/endorse the stability of the Insurance sector:

- The CBB requires insurance firms to submit their year-end financial statements for review prior to presenting them for approval to the Company’s Board of Directors.
- Additionally, insurance firms must submit actuarial reports that include the actuary’s assessment to evaluate their soundness and financial condition.
- As part of its supervisory role, the CBB receives and reviews various prudential reports in accordance with the requirements of the CBB Rulebook (Volume 3) in order to effectively and efficiently supervise and assess the Licensees’ compliance with the requirements of the Central Bank of Bahrain and Financial Institutions Law No. (64) of 2006 and the CBB Rulebook (Volume 3).

Regulatory and Rulebook Updates

- **Advancing Local Expertise within the Insurance Sector:** The ISD, in collaboration with the Bahrain Institute of Banking & Finance (“BIBF”) and the Bahrain Insurance Association introduced a specialized “Unified Motor Policy Claims Handling” course in which all licensees were required to enroll their relevant staff involved in motor insurance operations in this course during 2024.

As part of the levied training programs, this course was designed specifically for staff working in motor insurance departments. The aim of the course was to deepen participants’ knowledge of motor insurance processes and claims procedures, including the “Unified Motor Insurance Policy”. The goal was to standardize claims handling practices across the market, thereby enhancing fairness and ensuring a positive customer experience.

- **Dividends and Profit Repatriation:** The consultation on new requirements for dividend distributions took effect on 23rd January 2024. These requirements are designed to ensure that licensees maintain adequate capital adequacy and solvency margins, as well as their ability to

meet obligations both before and after any proposed dividends. This approach aligns with the best international practices.

- **Market conduct in the motor business:** The ISD continues to hold regular meetings with the Motor Committee of the Bahrain Insurance Association, as well as with claim managers from insurance firms. These meetings aim to address concerns and complaints received relating to the motor insurance business, with the objective of enhancing existing procedures to better serve clients and safeguard their rights.
- **Economic recovery plan:** The CBB is actively engaging with the Bahrain Insurance Association to support the objectives outlined in Bahrain's Financial Sector Development Strategy 2022-2026 in order to achieve the desired outcomes for the insurance sector. Moreover, the CBB is making concerted efforts and implementing comprehensive plans across all areas to fulfill its role in the strategy effectively.
- **Insurance Penetration in the Market:** In alignment with Bahrain's Financial Sector Development Strategy 2022-2026, the ISD initiated focus groups to deliberate on three key initiatives aimed at enhancing insurance penetration in the market. These initiatives include:
 1. Commercial expat insurance
 2. Medical malpractice insurance
 3. Commercial third-party liability insurance

The ISD is actively engaging with the relevant government authorities to evaluate the feasibility of mandating these insurance types, with the ultimate objective being to strengthen the insurance sector's contribution to Bahrain's GDP.

Promote information symmetry & transparency

- During 2024, the ISD released the Insurance Market Review Report of 2023. The report presents the financial performance and financial position of the insurance industry in the Kingdom of Bahrain for the years 2022 and 2023, including by class of business in the Kingdom of Bahrain. The total gross premiums of the Bahrain insurance market has increased to BD 292,264 million in 2023 (2022: BD 279,437 million).
- To further enhance information symmetry and transparency, the CBB continues to publish the quarterly Insurance Market Review. This initiative aims to support stakeholders in making timely and informed decisions.

On-going monitoring of previous initiatives

- **International Financial Reporting Standard (IFRS 17):** The ISD continues to monitor the effective implementation of IFRS17 by overseeing insurance firms' adherence to the standard, which came into effect on 1st January 2023. Furthermore, the ISD is in the process of amending and updating its prudential returns as well as the related rules and regulations outlined in the CBB Rulebook (Volume 3)
- **In-house Actuaries:** As part of its efforts to develop the insurance sector and enhance the national skill sets, the CBB continues to monitor initiatives aimed at creating a foundation for future growth and job opportunities, aligned with the priorities outlined in the Bahrain's Financial Sector Development Strategy 2022-2026. Considering the implementation of IFRS 17 "Insurance Contracts" which has been effective since 2023, the CBB requested all insurance firms to establish an internal actuarial unit within their organizational structure. This Directive required insurance

firms to appoint both an in-house Bahraini Qualified Actuary and an in-house Bahraini Actuarial Analyst. The implementation of this requirement was structured in two phases, ensuring a systematic approach to building local expertise. As of the end of 2024, a total of 20 Bahraini Actuarial Analysts have been appointed across the insurance firms. Additionally, all insurance firms were instructed to submit written updates to the CBB on a semi-annual basis, detailing the progress of this Directive and the training initiatives undertaken. The CBB continues to closely monitor these updates to ensure compliance and to support the development of a robust actuarial framework within the industry.

Financial Stability Directorate

During 2024 the Financial Stability Directorate (“FSD”) continued conducting research and analysis on issues related to financial stability. The FSD continued to perform the following core functions:

- Issuing various publications such as the Financial Stability Report along with other periodical publications that monitor domestic and international macro financial developments that include the Financial Soundness Indicators (Quarterly).
- Continue to develop the CBB’s macro-prudential policy framework consider the various policy tools and contingency planning through stress testing exercises.
- Continue the collection, compilation and dissemination of monetary and financial data and other financial related statistics and conducting various surveys.
- Maintaining CBB’s relations with major international institutions and agencies (IMF, World Bank, and rating agencies) and acting as a point of contact for other third parties, both domestic and overseas.
- Monitoring domestic and international macroeconomic developments and conducting research that focuses on the effects of the current global economic and geopolitical developments and any implications on financial stability.
- Advising CBB top management on issues and policies relating to maintaining the stability of the financial sector in Bahrain.

The Financial Market Infrastructure (FMI) and Payments Oversight Division

The Financial Market Infrastructures (FMIs) and Payments Oversight under the Financial Stability Directorate performs one of the crucial functions within the Central Bank of Bahrain which is ensuring meeting objectives outlined in the published FMIs and Payment Oversight Framework which includes safety, efficiency, effectiveness, reliability, resiliency, transparency, facilitating necessary change, harmony, market integration, innovation and adaptability limiting various risks i.e. *systemic risk, credit risk, liquidity risk, operational risk, legal risk, etc.* ensuring overall operational resilience and ultimately contribute to the well-functioning and trust in financial markets. Moreover, the FMIs and Payments Oversight emphasizes the importance of stakeholder engagement and technological advancements, in addition to crisis management and international collaboration, particularly through public awareness. Furthermore, it prioritizes promoting innovation and advancing the role of sustainability as a fundamental pillar in maintaining financial stability.

The FMIs and Payments Oversight continues to oversee the Financial Market Infrastructures (FMIs), Systemically Important Payment Systems (SIPS), Major Retail Payment Systems (MRPS) and Retail Payment Systems (RPS) based on the Principles for Financial Market Infrastructures (PFMIs) through the continuous performance of the below activities:

1. Collection of Data from various sources such as system database, data from Participants, periodic reporting, surveys and constant monitoring;
2. Thematic On-Site and Off-Site Inspections including assessments in order to measure the compliance of Operators and/or Participants, highlight deficiencies and recommend alignment and/or enhancements;

3. Analysis and Reporting based on collected data and information to identify trends, patterns, anomalies and potential risks associated with the functioning of FMIs and Payment Systems;
4. Review assessments to identify key risks and areas for development to establish regulatory expectations and taking appropriate actions by engaging relevant financial institutions to discuss findings and recommendations to ensure the reliability and resilience of Financial Market Infrastructure and Payment Systems;
5. Conduct in-depth research and studies including analysis of various aspects to identify potential vulnerabilities, emerging threats, areas of weaknesses within existing infrastructures, best practices and potential benefits associated with new innovations to enhance resiliency;
6. Encouraging and inducing change through fostering harmony and market integration in the FMIs and Payments landscape by promoting a culture of continuous improvement and innovation;
7. Cooperative arrangements and synergies aiming to avoid the possibility of gaps, inefficiency, duplication and inconsistencies in the oversight function by establishing cooperative arrangements with local and international regulatory bodies;
8. Proactive approach to study, assess and prepare for upcoming projects and challenges in the FMIs and Payments ecosystem not only to foster innovation of new payments, nevertheless, to enhance, upgrade current and existing FMIs and Payment Systems.

The Statistical Research Division

- In line with the Statistical Research Division's goal to enhance the quality and comprehension of its statistics, the Division has successfully mapped the aggregated banking data from its enhanced monthly statistical returns to the standardized form generated by GCC STAT as a requirement of the working group concerned with monetary and financial statistics in the Gulf Cooperation Council countries. This form serves the purpose of reducing the gap and be more compatible in filling the standardized form of the International Monetary Fund (IMF).
- The Division has also increased the frequency of the Manpower Survey from yearly to quarterly. Further, the Division had updated survey form to include detailed information on the employees in the Banking and Financial Sector; by their positions and types of jobs. The Survey also collects data on financial technology workers "FinTech" in the sector.
- The Division contributed to preparing and updating historical data sets and metadata for the National Summary Data Page (NSDP) in collaboration with the Information & eGovernment Authority (iGA) and the Ministry of Finance and National Economy (MoFNE). This page displays important economic and financial data for the Kingdom of Bahrain, published as per the IMF's Dissemination Standards Bulletin Board (DSBB). On September 5, 2024, Bahrain successfully launched this new data portal, implementing a key recommendation of the IMF' Enhanced General Data Dissemination System (e-GDDS). With the successful launch of this new data portal, the NSDP, on 5th of September 2024, Bahrain has implemented a key recommendation of the IMF's Enhanced General Data Dissemination System (e-GDDS). The NSDP is available through Bahrain's Open Data Portal, providing data exchange through Statistical Data and Metadata Exchange (SDMX) and supporting Bahrain's efforts to upgrade and officially subscribe to the Special Data Dissemination Standard (SDDS).
- The Division is responsible for collecting, compiling, and disseminating statistical information and releasing financial data that is published through the Monthly Statistical Bulletin (MSB). During 2024, the following tables were newly added to the MSB:
 - Islamic Retail Banks - Rates of Profit on BD Deposits & Loans.
 - Islamic Retail Banks - Rates of Profit on Personal and Business Loans by Banks.
 - International Official Reserves which include monetary gold, Special Drawing Rights (SDRs), IMF reserve position, and foreign currencies.
- The Division is committed to providing international organizations with the Banking and Financial Statistics in Bahrain such as IMF, Bank of International Settlement (BIS), Worlds Bank, GCC Stat, Arab Monetary Fund, etc.
- The Division continues to develop periodic reports and statistics such as the weekly and monthly Point of Sale (POS) and E-Commerce data.

Chapter

3

Other CBB Projects and Activities

New Licenses

Fintech & Innovation

Payment System (“SSS” & “RTGS”)

Currency Issue

CBB Training Programs

IT Projects

Consumer Protection

External Communications Unit

CBB’s Organisational Chart

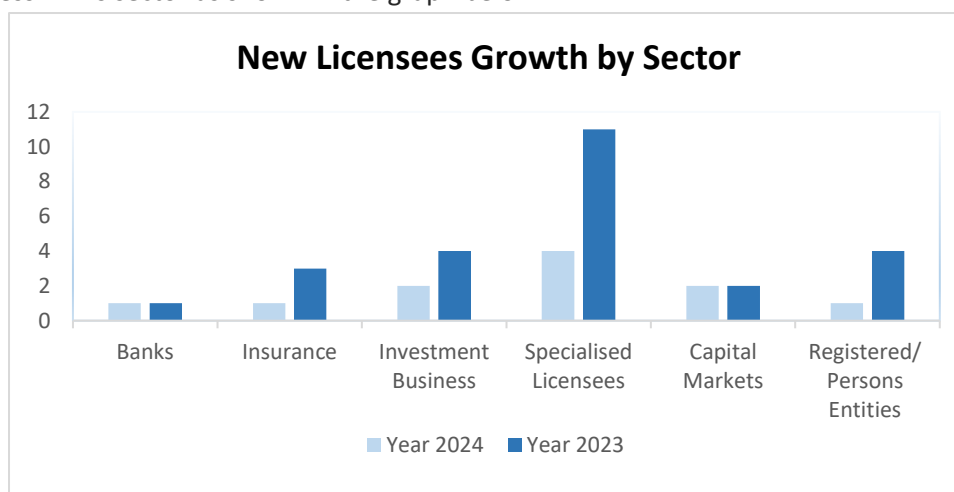
New Licensed Institutions & Registered Persons

The Central Bank of Bahrain (“CBB”) has issued 12 new licensed institutions, 3 registered persons as an Individual Actuary and 1 registered company as a Corporate Loss Adjuster in 2023 compared to 14 new licensed institutions, 1 registered person as a Loss Adjuster and 1 registered person as an actuary in 2022, reaching to a total of 369 Licensed Institutions and registered persons providing financial services in and from the Kingdom of Bahrain as of 31st December 2023 compared to a total of 364 licensees and registered persons as of 31st December 2022.

Those new licensed institutions were issued for different financial sectors, as shown in the list below:

1. Mr. Nikhil Dodhia – Registered Actuary.
2. Mr. Elias Rahal – Registered Actuary.
3. Mr. Shariq Sikander – Registered Actuary.
4. Sedgwick Bahrain W.L.L. - Loss Adjuster (Corporate).
5. Ahli United Bank B.S.C (c) – (Conversion of License) from Conventional Retail Bank to Islamic Retail Bank.
6. Howden Insurance Brokers W.L.L. – Insurance Broker.
7. Braxtone Insurance and Reinsurance Brokers Co. WLL – Insurance Broker.
8. RSW Insurance Risk Consultants W.L.L – Insurance Consultant.
9. 3YZ Investments B.S.C (c) - Investment Business Firms Category 1.
10. Beyon Money Investment B.S.C (c) - Investment Business Firms Category 2.
11. BAGS Capital B.S.C. (c) - Investment Business Firms Category 4.
12. Blacksand Company B.S.C. (c) - Investment Business Firms Category 4.
13. Spire Solutions & Services W.L.L - Ancillary Service Provider: Account Information Services Provider and Payment Initiation Services Provider.
14. Amanah for sharia audit & consultancy services W.L.L - Ancillary Service Provider- Shariah Review.
15. Waterfort Bahrain B.S.C. (c) - Crypto-Asset Services – Category 3.
16. Amber Technologies Bahrain B.S.C. (c) - Crypto-Asset Services – Category 3.

The main growth of new licenses issued in 2023 was in the Insurance Licensee sector & Investment Business Firms sector as shown in the graph below:



Fintech & Innovations Unit

CBB's Regulatory Sandbox

Since the launch of the Regulatory Sandbox in 2017 and up until 31st December 2024, the CBB has received 164 applications to join the Regulatory Sandbox.

During 2024:

- 15 new Regulatory Sandbox applications were received.
- 7 applications were authorized to join the Regulatory Sandbox.
- 1 application was refused entry to the Regulatory Sandbox due to the proposed activities not meeting the eligibility criteria as set out in the Regulatory Sandbox Framework.

As of 31st December 2024, 30 companies have successfully exited the Sandbox after having completed testing. These include:

1. Tarabut Gateway W.L.L
2. Rain Financial
3. Belfrics Middle East W.L.L.
4. Basket FZE
5. Sprinklexchange
6. Arabianchain
7. Braxtone
8. PIE
9. Pyypl
10. Spire
11. Bambucorn
12. Spare
13. AT Payments
14. Aion Digital
15. Denarri Cash
16. OddoTec
17. Safaghat
18. Tabby
19. COCOA
20. Spotti
21. Twazn Digital Investments
22. Tasleefa
23. Lamaa for Information Technology
24. Braxtone Corporate Services Provider
25. Drahim App Fintech LLC
26. Lenders Mark
27. Pay Deema W.L.L
28. Inablr Middle East W.L.L
29. Insurance Hub
30. Tamara

Out of those companies, 8 went on to receive a full operational license from the CBB:

1. **Tarabut Gateway** received an open banking license to operate as an AISP/PISP from the CBB.
2. **Rain Financial** received a Crypto Asset Platform Category 3 license from the CBB.
3. **PIE (Floos Bahrain)** received a license to operate as a Financing Company from the CBB.
4. **Bambucorn** received a crowdfunding license from the CBB.
5. **Spare** received an open banking license to operate as an AISP/PISP from the CBB.
6. **Spire** received an open banking license to operate as an AISP/PISP from the CBB.
7. **Safaghat** received a crowdfunding license from the CBB.
8. **Tamara** received a license to operate as a Financing Company from the CBB.

As of December 31, 2024, the CBB has 48 licensees that conduct Fintech activities.

Payment Systems

The Banking Services Directorate operates the Real-time Gross Settlement (RTGS) and the Scripless Securities Settlement (SSS) systems as well as activities related to payments, clearing, Financial Market Infrastructures (FMIs) and payment systems and services.

Payment and Settlement Systems (“RTGS” & “SSS”)

The RTGS system, owned and operated by the CBB, is a systemically important large-value payment system that allows member banks to make fund transfers between themselves, and on behalf of their customers in real time, on a gross basis. It also provides settlement in central bank money for other payment and securities settlement systems, such as ATM Network System (BENEFIT), Bahrain Cheque Truncation Systems (BCTS), Bahrain Electronic Cheque System (BECS), Electronic Fund Transfer System (EFTS), at times stipulated by the CBB.

The number of bank transfers through the RTGS were 393,541 in 2024, for a total amount of BD 129.1 billion with a daily average of 1,580 transfers and an average daily value of BD 518.5 million, broken down as follows:

- The volume of bank transfers among retail banks through RTGS was 52,750 for a value of BD 123.3 billion.
- The volume of customer transfers through the RTGS totalled 340,791 with a value of BD 5.8 billion.

The SSS system, operated by the CBB, acts as a Central Securities Depository (CSD) for government securities issued (in Scripless form) by the CBB. It settles securities transactions through its seamless integration with the RTGS system. Furthermore, the SSS system provides electronic auctioning of government securities on behalf of the government.

There were 3,183 transactions carried out through SSS System in 2024 valuing BD 12.482 billion. The daily average number of transactions was 13 and the average daily value was BD 50.130 million.

Total fees received from RTGS and SSS member banks (transaction fees and annual membership fees) amounted to BD 403,546 in 2024.

ATM Network (BENEFIT)

The number of withdrawals processing through the local ATM network system (BENEFIT) during 2024 was 11,189,327 and totalling an amount of BD 1.231 billion with a daily average of 30,572 transactions and an average daily value of BD 3.365 million.

Bahrain Cheque Truncation System (BCTS)

The number of cheques cleared in the year 2024 was 1,923,263 totalling an amount of BD 6.552 billion. The daily average number of cheques was 7,724 and the average daily value was BD 26.315 million.

Electronic Fund Transfer System (EFTS)

The EFTS was launched by the CBB, in collaboration with the BENEFIT Company in November 2015 facilitating bank customers to make instant low-value payments known as Fawri+, between two bank accounts and within 30 seconds on a round-the-clock basis. A customer can make multiple low-value Fawri+ payments a day, subjected to a maximum value limit of BD 1,000. EFTS also offers two other types of customer payment services, the first being Fawri, which is a deferred batch fund transfer

service that supports same-day or future dated, small, or large value payments on working days. The second is the Electronic Bill Presentment and Payment (EBPP) called Fawateer, whereby bank customer can settle bills from both online and offline billers.

- The number of Fawri+ transactions in the year of 2024 was 420,334,850 with a total amount of BD 8.567 billion. The daily average number of Fawri+ transactions was 1,151,602 and the average daily value was BD 23.472 million.
- The number of Fawri transactions in the year of 2024 was 13,184,829 with a total amount of BD 23.582 billion. The daily average number of Fawri transactions was 36,123 and the average daily value was BD 64.609 million.
- The number of Fawateer transactions in the year of 2024 was 12,628,131 with a total amount of BD 1.157 billion. The daily average number of Fawateer transactions was 34,598 and the average daily value was BD 3.171 million.

AFAQ System

The Arabian Gulf System for Financial Automated Quick Payment Transfer (AFAQ) is the Real Time Gross Settlement system for cross-currency cross-border payments between the GCC countries. The Service was launched on 10th December 2020, with the Central Bank of Bahrain (CBB) and Saudi Central Bank (SAMA) being its first participants.

Bahrain Banks cross-border payment transfers through the AFAQ Service were 64,839 in 2024, for a total amount of BD 705.44 million with a daily average of 262 transfer and an average daily value of BD 2.84 million broken down as follows:

- Interbank transfers: The volume of the incoming bank transfers through AFAQ Service was 503 for a value of BD 2.43 million and the volume of the outgoing bank transfers was 1,734 for a value of BD 197.3 million.
- Customer transfers: The volume of the incoming customer transfers through AFAQ Service totalled to 24,719 with a value of BD 103 million and the volume of the outgoing customer transfers was 37,883 for a value of BD 402.71 million.

Bahrain Electronic Cheque System (BECS)

The Bahrain Electronic Cheque System (BECS) was launched by the CBB, in collaboration with the BENEFIT Company on 19th October 2021, and is the first of its kind in the world that caters to individual, as well as corporate bank customers. The system also provides electronic cheque services to individual and corporate retail customers through mobile service applications for customers, where individuals can register electronically for the e-cheque service through the BenefitPay application. For corporates, they can register through their retail banks to avail of e-cheque services through the dedicated corporate E-Cheque Application.

These e-cheque services include an electronic cheque book request service from retail banks, cheque issuance services such as electronic editing, signing and depositing, without the customer having to visit the bank branch.

The table below shows the total services carried out through the system in detail:

Service	2023 (Total)	2024 (Total)	Total Since Launch
Number of active customers registered in the system (individuals)	138,782	118,442	1,046,691
Number of active customers registered in the system (corporates)	33	26	293
Number of electronic cheque book requests	630	344	4,691
Number of electronic cheques issued by individuals through BenefitPay application	2,673	1,927	9,748

Number of electronic cheques issued by corporates, Customers of Joint Accounts, and Customers of Accounts with Power of Attorney through BENEFIT E-cheque application	1,325	1,783	4,529
Total number of cheques deposited and paid	3,300	3,168	11,680

Currency Issue

- The total value of currency deposits during 2024 amounted to BD 675 million, while that of the currency withdrawals stood at BD 678 million.
- The CIS continued its operations by counting, sorting currency notes and shredding of unfit currency notes using the machine which was directly linked to records of the CIS. The value of shredded unfit currency notes amounted to BD 278 million during 2024.
- The value of currency in circulation recorded BD 672 million on 31st December 2024, of which currency coins and notes amounted to BD 23 million and BD 649 million respectively.
- The Directorate has minted 100 gold coins and 1000 silver coins on the occasion of the Silver Jubilee of His Majesty King Hamad bin Isa Al Khalifa, marking 25 years of His Majesty's reign.

The obverse of the coin bears a prominent frontal image of His Majesty the King in the center, and the Silver Jubilee logo to the left.

The reverse side of the coin bears the prominent image of the Sakhir Palace in Smartminting®, Ultra High technology.

Specifications: Weight 2 ounces (62.2 grams), shape is round, diameter 38.61 mm, and the frame on both sides is decorated with the number 25 in red inlays symbolizing the number of years of rule.

Designer: Raouf Yahya, a graphic designer with more than 15 years of experience in the field of designing coins and banknotes.

Manufacturer: CIT, a company known for its unique designs and based in the Principality of Liechtenstein, is the owner of the minting rights using Smartminting®, Ultra High technology "which is a minting technology for commemorative coins that allows for the creation of exciting relief engravings on both sides of the coin".

CBB Training Programs

During 2024, the Central Bank of Bahrain continued to focus on ensuring that CBB's employees have the right skills and competencies to enable them to perform their responsibilities at a high level.

To meet these commitments, the CBB has undertaken the following capacity-building activities:

- Developing employees' skills and knowledge through enrolling 184 employees in 189 training courses at BIBF; covering different areas including finance, Islamic banking, compliance, insurance, Fintech, management, and information technology.
- Enhancing technical competencies through enrolling 234 employees in 126 external training programs, workshops, and conferences, organized by local, regional, and international organizations such as the Economic Policy Institute of AMF, IMF, IFSB and other Central Banks and specialized institutes. These programs and conferences covered various areas including banking supervision, compliance, economics, investment, insurance, HR, procurement, Fintech, and IT.

- Sponsoring 21 employees for different professional and academic qualifications in cooperation with Tamkeen and the Waqf Fund.
- Conducting a Digital Transformation Program to develop and upskill employees from business and non-technology Directorates with digital transformation awareness covering current regulatory trends and key transformational technologies for 20 employees at Head level from different CBB Directorates, in cooperation with the Bahrain Institute of Banking and Finance and the London Institute of Banking and Finance.
- Conducting 4 batches of the tailored Forensic Accounting Training Program for 80 employees from various CBB Directorates, in cooperation with Behind the Balance Sheet company. The program aims to enhance the forensic accounting skills of the Central Bank's employees.
- Conducting a tailored training program to develop the technical Skills of CBB new joiners, in cooperation with the Bahrain Institute of Banking and Finance.
- Conducting specialized tailored training programs to enhance Supervisory and Administrative skills for 41 employees at various levels from different CBB Directorates, in cooperation with a number of specialized training providers.
- Making use of technology through providing access to 100 employees to an e-learning platform, which is operated by the Bank for International Settlements and covers a variety of Banking and Finance subjects.
- Conducting a number of internal seminars and workshops, in coordination with different CBB Directorates and relevant organizations; covering various topics such as economics, investment and ESG.
- Educating CBB employees about the risks of information security and cyber security and how to avoid them by providing them with specialized monthly electronic training modules, as part of the ongoing training & awareness program carried out by the IT Directorate's Information Security Section.
- Providing internships for 30 university students, to enhance their professional skills and prepare them for the workplace.

IT Projects

During the Year 2023, several projects were completed as part of the IT Projects Roadmap. They include the following:

Enhance Efficiency of CBB's Human Resources Processes

As part of the CBB's ongoing efforts to enhance work efficiency and move to a paperless environment, the ITD completed the development of a new electronic Module for "Out of Office". This system enables the Executive Directors and Directors to submit and approve administrative assignment of duties for staff, when on leave, electronically, which contributes to the speed and efficiency of procedures. The system has been launched and activated on the CBB's Intranet, which represents an important step towards improving administrative performance and modernizing the CBB's work culture.

New data dashboards for the Risk Control Section of the Reserve Management

As part of the project to develop data dashboards and create comprehensive, easy-to-use digital charts in accordance with best practices in the field of displaying existing data in a pleasing graphical format, the ITD launched a new dashboard for the Risk Control section of the Reserve Management Directorate in CBB's Intranet platform. This panel allows financial data to be displayed in the form of graphs, which facilitates direct access to data and access to key performance indicators in a comprehensive and flexible manner.

New Liquidity Management Tool for Islamic Retail Banks

As part of the CBB's strategy to provide better online services to the banking sector in the Kingdom of Bahrain, the ITD collected requirements of the Banking Services Directorate to develop a new liquidity management tool that is designed for Islamic retail banks to enable commodity Murabaha operations electronically. This new module has been launched and is currently operating successfully.

Enhancing the Certificate Request System on the Intranet

As part of CBB's strategy to develop the services provided to its employees, the upgrade of the Certificate Request System on the Intranet has been completed, whereby the system interface and user experience of the application have been improved. An instant service has also been added to download and print certificates for employees, which speeds up the process of requesting and issuance of certificates.

Passing the Control Audit for the [ISO 22301:2019] Certificate for Business Continuity Management System Standard

As part of the CBB's ongoing efforts at adopting well recognized global standards for maintaining its Business Continuity environment to address potential risks, sustainability in providing banking services, and performing its regulatory and supervisory role to the fullest, the CBB has successfully passed the first annual audit of the "ISO 22301:2019" certification, after obtaining re-accreditation in 2023. The audit was conducted by Bureau Veritas, a company accredited by the International Organization for Standardization. During this exercise, all regulatory documents were reviewed in coordination with the CBB's work team, ensuring the CBB's commitment to implementing all standards-based requirements for the Business Continuity plan.

Enterprise Storage and Backup System Technology Refresh

The Enterprise Storage and Backup System technology refresh project was initiated in early September 2023 and completed during the second quarter of 2024. The new equipment was configured as per the best global practices and standards, followed by successful migration of all data from the old storage units. This was part of the ITD's efforts to apply a technology refresh to these critical infrastructure devices, as these contemporary units would introduce the latest high-speed hardware, along with advanced encryption and protection techniques that would safeguard CBB from serious threats like malware. Further, they would also contribute towards enhancing the operational effectiveness of CBB's Business Continuity.

Modernizing the ITD Technical Infrastructure

As part of modernizing CBB's ITD technical infrastructure, the preparation and equipment of modern servers was completed. The required data migration to the new servers was operational by June 2024.

These new servers are expected to contribute towards enhancing CBB's server virtualization environment and rendering noticeable performance enhancement for their hosted applications.

Internet-Facing Firewalls Replacement Project

As part of the IT Directorate's endeavor to apply industry recognized cybersecurity standards, the firewalls facing Internet were replaced with newer equipment that boast of latest technology capabilities that would potentially strengthen the CBB's IT infrastructure security cover from external threats. The project also included a detailed configuration review of the firewalls and a post-implementation independent expert review to corroborate that the overall implementation and configuration matches acceptable security standards. This replacement project was completed by the end of May 2024.

Ensuring the Resilience and Continuity of the Central Bank of Bahrain's Systems in Facing Crises

As part of the Central Bank of Bahrain's ongoing efforts to improve risk and crisis management and ensure business continuity, the IT Directorate, in collaboration with relevant directorates and retail banks in Bahrain, successfully ran business operations for the national payment transactions from the disaster recovery (DR) site thereby ensuring the required capability to continue processing payment transactions. Additionally, the resilience of the systems was tested by stopping and restarting all systems used in CBB. These efforts aim to ensure the validity of operational procedures, the quick recovery of services, and enhance the CBB's ability to respond swiftly during crises. This reinforces the CBB's reputation as a reliable and prepared institution, contributing to the economic stability of Bahrain's financial system.

Comprehensive Penetration Test exercise to fix Security Vulnerabilities

As part of the Central Bank of Bahrain's (CBB) ongoing efforts to enhance its information security and protection, the Information Technology Directorate (ITD) contracted with a specialized company to perform "Comprehensive Penetration Tests". The objective of this exercise was to identify and detect vulnerabilities in the IT infrastructure and system applications used within the CBB, so that the same can be addressed and remediated promptly and proactively. The company submitted the results to ITD's Information Security section, which included a list of potential security vulnerabilities and actionable guidelines for addressing them optimally and swiftly. Accordingly, these vulnerabilities have been remediated by applying the necessary fixes and revalidated to close the observations, thereby strengthening the security controls against potential breaches and attacks. It may be noted that the CBB conducts Penetration Tests periodically and relevant recommendations in the Information Security domain are applied when conducting these exercises.

Enhancing and Developing Email Security

As part of the ongoing efforts to enhance information security at CBB, the ITD has implemented a comprehensive email security solution. Recognizing that email is a primary entry point for security threats, this solution was deployed as it is designed to detect and mitigate phishing attempts, anomalies, and other potential risks associated with email technology used at the CBB. Moreover, it plays a crucial role in safeguarding CBB's email communications and accounts from unauthorized access and cyberattacks, among various threats. The implementation also ensures the confidentiality, integrity, and availability of email messages, thereby strengthening CBB's security controls and minimizing the risk of breaches.

Implement CBB Application Allowlisting Solution

A new 'application allowlisting' solution was implemented at CBB to replace the "Application Control" solution that was deployed years ago. This widely acknowledged solution leverages Artificial Intelligence (AI) to enhance security controls and serving as a critical form of endpoint protection that would block malicious programs from being executed or even installed on CBB's network.

SWIFT Customer Security Program (CSP) Independent Assessment

In keeping with the CBB's commitment to implementing the SWIFT mandated cybersecurity measures associated with payment systems, an assessment of the SWIFT Customer Security Program (CSP) was completed. The assessment was conducted by a specialized company accredited by SWIFT, and the required assessment reports and compliance measures for mandatory security controls have been shared with SWIFT. The CSP program is applicable to all member organizations of the SWIFT payment network, and it helps financial institutions ensure that their defences against cyber-attacks are up-to-date and effective, thereby safeguarding the integrity of the broader financial network.

2nd Surveillance of ISO [ISO/IEC 27001:2013] Certificate for Information Security Management System

In line with ITD's endeavour to adopt the recognized standards and industry best practices in information security, the second cycle of the "ISO 27001:2013" certification (reaccreditation) was successfully completed. This certification validation process is endorsed by the United Kingdom Accreditation Service (UKAS) and underscores CBB's dedication to the treatment of information security risks and the continual improvement of its information security management system. The reaccreditation exercise involved rigorous auditing, which the CBB passed by demonstrating full compliance with all applicable standard requirements. It is worth noting that this comprehensive audit encompassed practices across all Directorates and Units, thereby ensuring a cohesive and robust approach to information security within CBB.

Consumer Protection

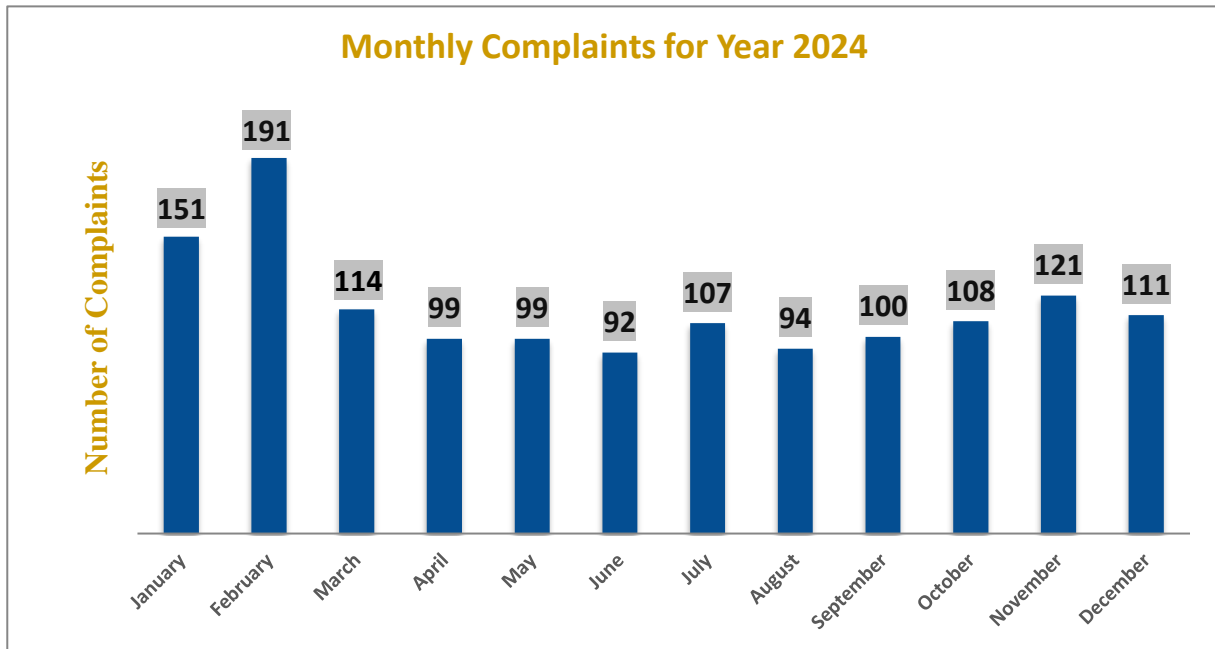
Tawasul system

- Total Number of Cases Received (2,297)
- Total Number of Complaints Received (1,881)
- Total Number of Queries Received (379)
- Total Number of Suggestions Received (37)

All cases were jointly resolved and closed by the Consumer Protection office and relevant Directorates in CBB.

Complaints via CBB Website

Total Number of complaints received during the year 2024 (1,387) distributed as follows:



External Communications Unit

Key Conferences and Events

29 May 2024

CBB Staff Townhall (Digitalize – Grow – Elevate)



3 July 2024

CBB and EDB Event: FS Horizons: Doubling Down on Finance



2 - 3 October 2024

Fintech Forward 24 - Supported by CBB



Other Conferences and Events

Date	Event
28 – 29 April 2024	AAOIFI 22 nd Annual Shari’ah Boards Conference
5 – 7 May 2024	Union of Arab Banks Workshop: AI-infused Banking: Unleashing the Power of Data Workshop
2 – 5 September 2024	Union of Arab Banks Workshop: New interest Rate Risk in the Banking Book (IRRBB): Basel Committee Requirements
3 – 4 November 2024	19 th AAOIFI-IsDB conference

Key Participations

25 April 2024

Participation of the Kingdom of Bahrain, represented by the Central Bank of Bahrain, in the 28th meeting of the GCC Heads of Capital Market Authorities (or their equivalent) Committee in the GCC countries, and the 5th meeting with the heads of markets (stock exchanges) in the GCC countries.



13 September 2024

Participation of HE Khalid Humaidan in the 83rd Meeting of the Committee of Central Banks Governors of the Gulf Cooperation Council in Doha, Qatar.



October 2024

Bahrain delegation, led by HE Sh. Salman bin Khalifa Al Khalifa, Minister of Finance and National Economy, at the 2024 Annual Meetings of the IMF and World Bank Group.



28th November 2024

Participation of HE Khalid Humaidan in the "The Digital Currencies' Opportunity in the Middle East" panel at the World Economic Forum- Riyadh, KSA.



4th November 2024

Participation of HE Khalid Humaidan in the "The Next Ten Years of Financial Services" panel at the Gateway Gulf- Investment Forum Bahrain 2024.



6 - 8 November 2024

Participation of CBB delegation in Singapore Fintech Festival 2024.



Interviews

Date	Interview Topic	Interviewee	Media or Event
31 January 2024	Fintech promotes financial inclusion in Bahrain	Yasmeen Al Sharaf- Director of Fintech and Innovation	MEED Magazine
9 May 2024	Interview in regard to CBB winning the 23rd edition of His Highness Sheikh Salem Al-Ali Al-Sabah Informatics Award	Hesa Al Sada- Executive Director - Banking Operations	Bahrain TV
20 November 2024	Bahrain Emerges as a Regional Fintech Powerhouse	Yasmeen Al Sharaf- Director of Fintech and Innovation	Fintech Middle East
2 December 2024	Khalid Humaidan: Cross-border Middle Eastern consolidation 'a natural progression'	HE Khalid Humaidan- Governor	The Banker Magazine

Press and News

120

Total Press Releases
العدد الكلي للأخبار الصحفية

96

Government Securities and Sukuk
إصدارات السندات والصكوك

24

CBB Announcements and Events
فعاليات وانجازات المصرف

Digital Media 2024

LinkedIn

Followers (As of Dec 2024)	32.3K
Posts	162
Average monthly page visitors	2,248
Average engagement rate	23.3%

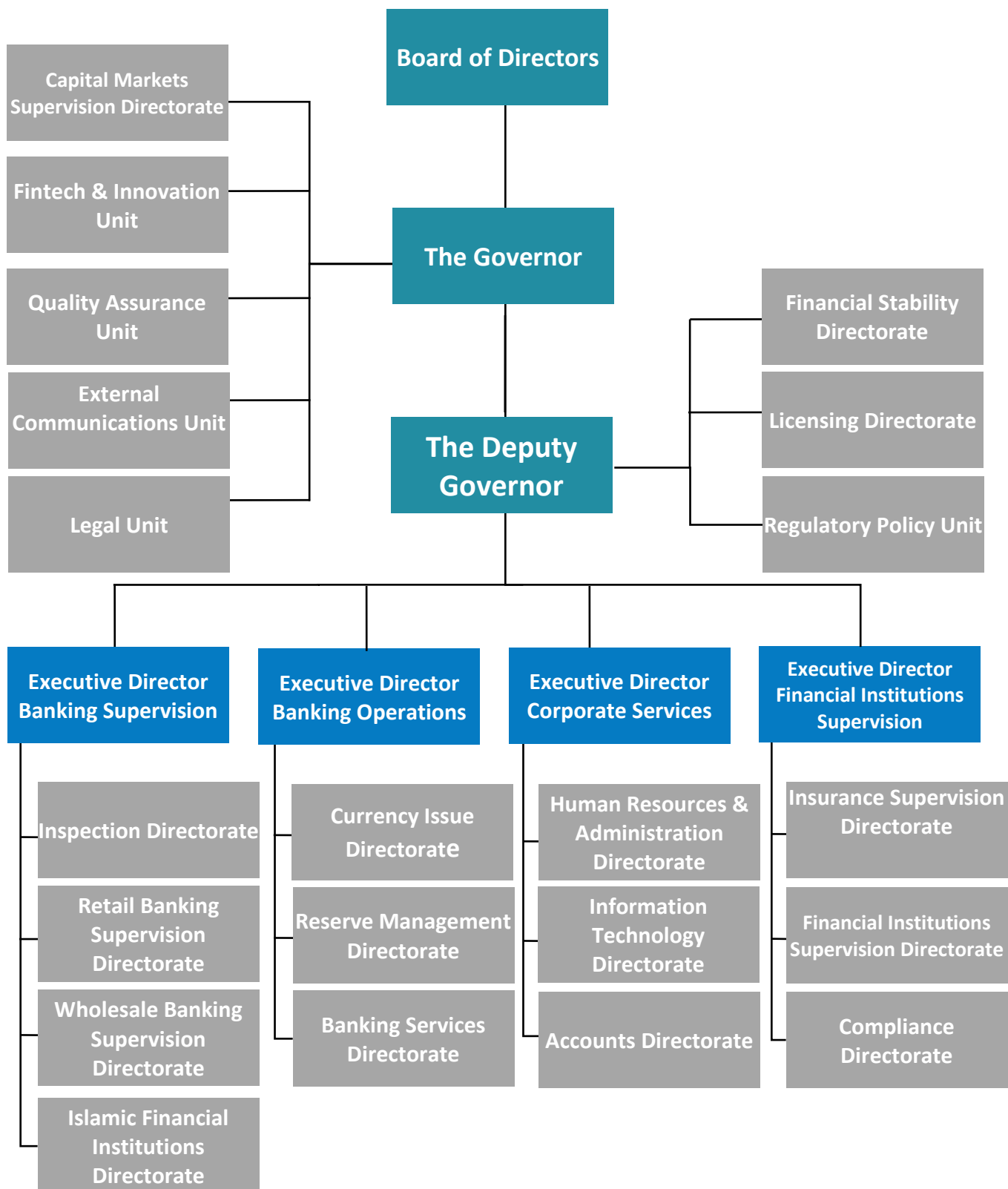
Instagram

Followers (As of Dec 2024)	15.2K
Posts	166
Average post views	3,414
Average story views	843
Average Likes for posts	77

X

Followers (As of Dec 2024)	6,197
Posts	268
Average post views	209
Average engagement rate	1%

CBB's Organizational Chart



Chapter

4

Financial Statements for the Year Ended December 2024

**CENTRAL BANK OF BAHRAIN
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
31 DECEMBER 2024**

CENTRAL BANK OF BAHRAIN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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Independent auditor's report	1 - 2
Balance sheet	3
Profit and loss account and appropriation	4
Notes to the financial statements	5 - 10



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Website: www.kpmg.com/bh
CR No. 6220 - 2

Independent auditors' report

To the Board of Directors

*Central Bank of Bahrain
Kingdom of Bahrain*

Opinion

We have audited the financial statements of the Central Bank of Bahrain (the "Central Bank"), which comprise the balance sheet as at 31 December 2024 and profit and loss account and appropriation for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Central Bank for the year ended 31 December 2024 are prepared, in all material respects, in accordance with the basis of accounting described in note 2 of the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Central Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 of the financial statements which describes the basis of accounting. The financial statements are prepared to comply with the Central Bank's financial reporting requirements. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Management for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the basis of accounting described in note 2 of the financial statements, for determining the acceptability of the basis of accounting and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Central Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Central Bank or to cease operations, or has no realistic alternative but to do so.



Independent auditors' report to the Board of Directors (continued)
Central Bank of Bahrain

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Central Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Central Bank to cease to continue as a going concern.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Fakhro
Partner Registration Number 213
16 March 2025

CENTRAL BANK OF BAHRAIN

BALANCE SHEET

AS AT 31 DECEMBER 2024

	Note	2024 BD'000	2023 BD'000
ASSETS			
Gold	4	2,500	2,500
Foreign reserves	5	1,427,988	1,859,778
Due from Ministry of Finance	6	4,294,739	3,477,419
Cash, due from Bahraini banks and securities	7	634,906	631,055
Other assets	8	77,863	62,816
TOTAL ASSETS		6,437,996	6,033,568
LIABILITIES			
Notes and coins in circulation	4	670,822	667,820
Bahraini Dinar deposits from banks		4,781,481	4,471,297
Other deposits		230,737	189,007
Due to other central banks		644	642
Profit payable to the Government of the Kingdom of Bahrain		2,500	2,500
Provision for currency withdrawn		6,141	6,145
Other liabilities	9	12,769	17,001
TOTAL LIABILITIES		5,705,094	5,354,412
CAPITAL FUNDS			
Capital	10	200,000	200,000
General reserve	11	341,135	310,990
Contingency reserve	12	172,226	147,408
Revaluation reserve	13	19,541	20,758
TOTAL CAPITAL FUNDS		732,902	679,156
TOTAL LIABILITIES AND CAPITAL FUNDS		6,437,996	6,033,568



Hassan Khalifa Al Jalahma
Chairman



Khalid Humaidan
Governor

The attached notes 1 to 14 form part of these financial statements.

CENTRAL BANK OF BAHRAIN
PROFIT AND LOSS ACCOUNT AND APPROPRIATION
FOR THE YEAR ENDED 31 DECEMBER 2024

	<i>Note</i>	2024 BD'000	2023 BD'000
INCOME			
Interest income		344,449	292,145
Interest expense		(288,196)	(235,778)
Net interest income		56,253	56,367
Registration and licensing fees		5,329	5,214
Exchange gain on sale of US dollars		9,489	11,991
Net realised investment loss		-	(257)
Other income		6,986	7,095
TOTAL INCOME		78,057	80,410
EXPENSES			
Staff costs		(13,538)	(13,137)
General and administration expenses		(3,884)	(3,106)
Notes issue expenses		(279)	(1,787)
Funds and advisory fees		(19)	(22)
TOTAL OPERATING EXPENSES		(17,720)	(18,052)
PROFIT FOR THE YEAR BEFORE PROVISION FOR IMPAIRMENT		60,337	62,358
Provision for impairment		(48)	(39)
PROFIT FOR THE YEAR		60,289	62,319
Transfer to contingency reserve	12	(27,644)	(28,660)
Transfer to general reserve	11	(30,145)	(31,159)
BALANCE PAYABLE TO THE GOVERNMENT OF KINGDOM OF BAHRAIN		2,500	2,500

Hassan Khalifa Al Jalahma
Chairman

Khalid Humaidan
Governor

The attached notes 1 to 14 form part of these financial statements.

CENTRAL BANK OF BAHRAIN
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2024

1 REPORTING ENTITY

The Central Bank of Bahrain (the "Central Bank") is a public legal entity established pursuant to the Central Bank of Bahrain and Financial Institutions Law No.64 of 2006 (the "Law"). The law stipulates the Central Bank's objectives as well as its powers and functions.

The Central Bank is responsible for maintaining the monetary and financial stability in the Kingdom of Bahrain.

The Central Bank implements the Kingdom's monetary and foreign exchange rate policies, manages the government's reserves and debt issuance, issues the national currency and oversees the country's payments and settlement systems. It is also the sole regulator of Bahrain's financial sector, covering the full range of banking, insurance, investment business and capital markets activities. The Central Bank has no branches or operations outside Bahrain.

The Central Bank's registered address is P.O. Box 27 and is located at the Central Bank Building, Diplomatic Area, Kingdom of Bahrain.

The financial statements of the Central Bank, comprise the balance sheet as at 31 December 2024, the related profit and loss account and appropriation for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information and were authorised for issue by the Board of Directors on 16 March 2025.

2 BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the significant accounting policies (note 3) in compliance with the financial reporting requirements as set out in Part 1 of the Central Bank of Bahrain and Financial Institutions Law No. (64) of 2006 and other accounting policies in line with the generally accepted accounting policies applicable to the operations of the Central Bank. These policies have been consistently applied to all the years presented, unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

The financial statements are prepared under the historical cost convention.

3.2 Functional and presentation currency

These financial statements are presented in Bahraini Dinars, which is the Central Bank's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

3.3 Gold

Gold is carried at cost.

3.4 Foreign reserves

Foreign reserves comprise deposits placed and investments denominated in foreign currencies. All financial assets are recognised at cost on the settlement date, i.e. the date on which the executed trade is settled. All investments and deposits are carried at cost less provision for impairment.

3.5 Cash, due from Bahraini banks and securities

These balances comprise cash in hand, deposits / placements held with banks that are denominated in Bahraini Dinars and highly liquid treasury bills.

3.6 Equipment

All equipment used by the Central Bank is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

CENTRAL BANK OF BAHRAIN
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2024

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account and appropriation.

3.7 Notes and coins in circulation

Notes and coins in circulation issued, are stated net of Bahraini dinar notes and coins held in banking stock in the Central Bank.

3.8 Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the reporting date into the functional currency at the parity rate of the Bahraini dinar in relation to the United States Dollar and the closing market exchange rate for the other currencies.

In accordance with Article 22 (a) and (b) of Part 1 of the Central Bank of Bahrain and Financial Institutions Law, all profits / (losses) resulting from the revaluation of the Central Bank's assets or liabilities in foreign currencies as a result of any change in the parity-rate of the Bahraini dinar or the rate of exchange of the Central Bank's assets of such currencies, are required to be recorded in a special account to be entitled "Revaluation Reserve".

Upon disposal of the assets denominated in foreign currencies, the related gain or loss on the foreign exchange element of the disposed asset is recognised in the profit and loss account and appropriation.

3.9 Foreign currency swaps

The Central Bank enters into foreign currency swaps with banks in Bahrain. The difference between the swap rate and the Bahraini dinar parity rate is recorded as realized gains and losses on settlement date in the profit and loss account and appropriation.

3.10 Provision for impairment

The Central Bank assesses at each reporting date whether an investment is impaired. Investments in bonds are assessed for impairment on a portfolio basis. Impairment on other assets is assessed based on recoverability of the asset.

Contingency reserve is utilised by the Central Bank to provide impairment for assets used in relation to Central Bank's objectives as determined by the Board.

3.11 Revenue recognition

Interest income

Interest income is recognised on a time apportioned basis, taking into account the principal outstanding and the rate applicable. Premiums or discounts on purchase of bonds are amortised on a straight-line basis over the remaining life of the investment and are included under interest income in the profit and loss account and appropriation.

Registration and licensing fees

Registration and licensing fees are accounted for based on the calendar year they relate to and are recognised on an accrual basis.

Net realised investment gains and losses

Net realised investment gains and losses arising from the sale of assets are recognised in the profit and loss account and appropriation when such assets are disposed of.

CENTRAL BANK OF BAHRAIN
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2024

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Revenue recognition (continued)

3.12 Interest expense

Interest expense on the amounts due from Bahraini Dinar and other deposits is recognised on an accrual basis using the straight line method in the profit and loss account and appropriation.

3.13 Notes issue expenses

Expenses related to issuing notes are recognised in the profit and loss account and appropriation when incurred.

3.14 Provision

Provision is recognised if, as a result of a past event, the Central Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4 EXCESS OF AUTHORISED BACKING OVER CURRENCY IN CIRCULATION

	2024	2023
	BD'000	BD'000
Authorised backing		
Gold	2,500	2,500
Foreign reserves – note 5	1,427,988	1,859,778
	<u>1,430,488</u>	<u>1,862,278</u>
Notes and coins in circulation	(670,822)	(667,820)
Excess of authorised backing over currency in circulation	<u>759,666</u>	<u>1,194,458</u>

According to Article 19 of the Central Bank of Bahrain and Financial Institutions Law, foreign reserves permanently maintained by the Central Bank shall not be less than 100% of the value of the currency in circulation.

The fair value of gold as at 31 December 2024 was BD 148,723 thousand (2023: BD 116,931 thousand).

5 FOREIGN RESERVES

	2024	2023
	BD'000	BD'000
Bank deposits	1,385,223	1,791,512
Bonds portfolio	43,372	68,873
	<u>1,428,595</u>	<u>1,860,385</u>
Less: provision for impairment on bonds (refer note 12)	(607)	(607)
	<u>1,427,988</u>	<u>1,859,778</u>

CENTRAL BANK OF BAHRAIN
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2024

5 FOREIGN RESERVES (continued)

Bonds are quoted in active markets with 99.90% representing bonds relating to Government of Bahrain or being of investment grade BBB or higher (2023: 99.91%) based on their market values. All the deposits (2023: 100%) and bonds (2023: 100%) are denominated in US Dollars.

The market value of the bond portfolio (including cash and accrued interest held within these portfolio) at 31 December 2024 was BD 44,142 thousand (2023: BD 69,988 thousand).

6 DUE FROM MINISTRY OF FINANCE

The amount represents the net amount due from Ministry of Finance ("Ministry") for payments and receipts related to the Ministry made by the Central Bank.

7 CASH, DUE FROM BAHRAINI BANKS AND SECURITIES

	<i>2024</i>	<i>2023</i>
	<i>BD'000</i>	<i>BD'000</i>
Cash	22	22
Due from Bahraini banks	22,451	21,598
Ijara Sukuk / Treasury bonds & bills issued by the Government of Bahrain	612,433	609,435
	<u>634,906</u>	<u>631,055</u>

8 OTHER ASSETS

	<i>2024</i>	<i>2023</i>
	<i>BD'000</i>	<i>BD'000</i>
Interest receivable	11,718	13,798
Staff loans	4,545	4,526
Equipment	1,748	1,771
Murabaha receivable *	55,948	36,004
Others	3,904	6,717
	<u>77,863</u>	<u>62,816</u>

* This murabaha receivable is collateralised against Government of Kingdom of Bahrain sukuk amounting to BD 55,948 thousand (2023: BD 36,004 thousand).

9 OTHER LIABILITIES

	<i>2024</i>	<i>2023</i>
	<i>BD'000</i>	<i>BD'000</i>
Interest payable	5,674	9,781
Deferred license fee received	4,522	4,824
Accrued expenses	857	990
Other payables	1,716	1,406
	<u>12,769</u>	<u>17,001</u>

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10 CAPITAL

	2024	2023
	BD'000	BD'000
Authorised	500,000	500,000
Issued and fully paid up	200,000	200,000

11 GENERAL RESERVE

	2024	2023
	BD'000	BD'000
Balance at beginning of the year	310,990	279,831
Transfer from profit and loss account and appropriation	30,145	31,159
Balance at end of the year	341,135	310,990

In accordance with Article 12 of the Central Bank of Bahrain and Financial Institutions Law, the Central Bank maintains a general reserve which is credited with the following percentages of its net profit for the year:

- 100% of the net profit until the amount of the general reserve reaches 25% of the authorised capital of the Central Bank;
- 50% of the net profit until the amount of the general reserve is equal to the authorised capital of the Central Bank; and
- 25% of the net profit until the amount of the general reserve is double the amount of the authorised capital of the Central Bank.

Any net profit after such allocation to the contingency reserve is to be transferred to the Kingdom of Bahrain general account within three months of the date of the approval of the Central Bank's financial statements.

12 CONTINGENCY RESERVE

	2024	2023
	BD'000	BD'000
Balance at beginning of the year	147,408	119,032
Transfer during the year	27,644	28,660
Utilised during the year (refer note 5)	(2,826)	(607)
Recovery of provisioned asset	-	323
Balance at end of the year	172,226	147,408

In accordance with Article 21 of the Central Bank of Bahrain and Financial Institution Law, the Board has approved a transfer of BD 27,644 thousand of the current year's net profit to the contingency reserve (2023: BD 28,660 thousand). During the year, the reserve was utilised for a provision on investment in one of the investment in other assets for BD 2,826 thousand (2023: BD 607 thousand on bond portfolio) and recovery of a provisioned asset which was previously utilised from the contingency reserve of BD Nil (2023: BD 323 thousand).

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13 REVALUATION RESERVE

	2024	2023
	BD'000	BD'000
Balance at beginning of the year	20,758	21,228
Movement during the year	(1,217)	(470)
Balance at end of the year	19,541	20,758

The revaluation reserve relates to profit / (losses) resulting from the revaluation of assets and liabilities in foreign currencies.

14 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments, some of which are offset by corresponding obligations of third parties, arise in the normal course of business, including contingent liabilities in respect of guarantees and indemnities in connection with liquidity support operations. As at 31 December 2024 and 2023, there were no outstanding contingent liabilities. Further, the outstanding commitments relating to currency swap transactions (USD purchase against BD) as of 31 December 2024 amounted to BD 1,321 million (31 December 2023: BD 2,049 million).