

FINANCIAL STABILITY REPORT



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The Financial Stability Report (FSR) is a semi-annual report prepared by the Central Bank of Bahrain's (CBB) Financial Stability Directorate (FSD). The FSR is available online in PDF format under the Publications and Data section on CBB's website at <http://www.cbb.gov.bh>.

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PREFACE

Monetary policy throughout 2024 focused on balancing inflation and economic growth, as many central banks continued to decrease their key policy interest rates in the second half of the year to support economic growth. In 2024, global financial stability faced several risks shaped by geopolitical tensions, and stress in both traditional and emerging sectors.

Following the collapse of foreign banks failures in USA & Switzerland in 2023, investor confidence remained fragile. Nevertheless, such failures remained contained as regulators swift responses prevented potential global contagion. These events raised financial stability concerns related to liquidity and interest rate risks.

Maintaining strong, sustainable growth will require policymakers to continue to stay agile and ready to contain financial market strains to minimize risks and address challenges posed by the interaction between tighter monetary conditions and any built-up vulnerabilities.

Locally, the Central Bank of Bahrain (CBB) continued to raise interest rates in line with rising rates globally. CBB raised its policy interest rates four additional times throughout 2023 to maintain financial and monetary stability.

The Bahrain economy in 2024 continued its growth despite the geopolitical environment, inflationary pressures, and higher interest rates. The financial system, that has a major role in supporting the Bahraini economy, remained resilient showing strong performance across key metrics amidst a strong domestic macroeconomic environment. The banking system maintained adequate capital adequacy and liquidity buffers during 2024 and remained resilient with credit growth in the banking sector remains instrumental in supporting the private sector.

Moving forward, the CBB remains committed to addressing any potential vulnerabilities and remains alert to possible risks from any global developments and focused on monitoring asset quality. The CBB has also continued commitment to digital transformation, climate related risks to the financial sector, AML/CFT compliance and increased cyber risks.

Looking further ahead, the CBB also is continuing its development of best practices related to Environmental, Social and Governance (ESG) risk with a focus on climate-related financial risks to transition to a sustainable economy.

FINANCIAL STABILITY REPORT

COVERAGE

A key objective of CBB is to maintain monetary and financial stability in the Kingdom of Bahrain. As the single regulator for the financial system, CBB attaches utmost importance to fostering the soundness and stability of financial institutions and markets. CBB recognizes that financial stability is critical to contribute to growth, employment, and development in Bahrain.

In pursuit of its objective of promoting financial stability, CBB conducts regular financial sector surveillance, keeping a close watch on developments in individual institutions as well as the system as a whole. The Financial Stability Directorate (FSD) conducts regular surveillance of the financial system to identify areas of concern and undertakes research and analysis on issues relating to financial stability.

The Financial Stability Report (FSR) is one of the key components of CBB's financial sector surveillance framework. The principal purpose of this report is macro-prudential surveillance, assessing the safety and soundness of the financial system (intermediaries, markets, and payments/settlement systems), identifying potential risks to financial stability and mitigate them before they develop into systemic financial turbulence.

This FSR primarily examines the performance of the key components of the Bahraini financial system up to end of December 2024. The Banking sector analysis covers the sector on a consolidated basis (including subsidiaries and branches abroad).

This edition of the FSR contains 6 chapters divided into four parts as follows:

- Chapter 1: Developments in the Financial and Non-financial Sectors.
- Chapter 2: Performance of the Banking Sector.
- Chapter 3: Performance of Capital Markets.
- Chapter 4: Performance of the Insurance Sector.
- Chapter 8: Performance of Payment and Settlement Systems, Point of Sale, and Digital Wallets.
- Chapter 9: FinTech developments and Financial Inclusion.

FINANCIAL STABILITY

A situation where the financial system is able to function prudently, efficiently and uninterrupted, though providing financial services continuously even in the face of adverse shocks.

EXECUTIVE SUMMARY

Financial Sector Overview

The size of the assets of the banking sector in Bahrain was USD 247.8 billion as of December 2024. Retail banking total assets continued growing to reach BD 41.7 billion (USD 110.9 billion) in December 2024, wholesale banking sector showed an increase to USD 136.9 billion, and Islamic banking sector assets (which represent 25.5% of the total banking sector assets) increased to USD 63.3 billion.

The total amount of credit to the private sector (business and personal) by retail banks increased to BD 11.8 billion, a growth of 4.6% YoY. The deposit base also witnessed growth to BD 20.6 billion in December 2024 with 76.3% being domestic deposits that had a 1.6% YoY increase.

Banking Sector

The Bahraini banking system remained resilient during H2 2024, supported by strong macroeconomic conditions and adequate capital and liquidity positions. The capital adequacy ratio (CAR) for the banking sector stood at 21.2% in June 2023. The NPL ratio continued decreasing to 2.8% with a stable provision coverage level of provisioning of 53.3%.

Return-on-assets (ROA) remained stable at 1.3% and return-on-equity (ROE) increased to 11.2%, showing strong profitability. Liquidity positions remained strong as liquid assets as a proportion of total assets stood at 26.8% and the Loan Deposit Ratio (LDR) at 62.2%.

Capital markets

As of December 2024, Bahrain Bourse recorded a total listing of 41 Companies, 3 Mutual funds and 19 Bonds and Sukuk. Bahrain All Share Index increased by 0.7%

YoY reaching 1,985.91 points. The Bahrain Islamic Index increased by 6.99% reaching 779.85 points. As of end-December 2024, market capitalization of the Bahrain Bourse stood at BD 7.7 billion.

Most of the value shares traded in H1 2023 was in the materials sector representing 42.3%. As for the volume of shares traded, the majority came from the financial sector (84.8%). Most of the number of transactions as of December 2024 was attained by the financial sector representing 50% of total transactions.

Insurance Sector

Overall, the insurance sector in Bahrain remained sound and experienced sustained business growth. The insurance sector in Bahrain holds promise for growth, as demonstrated by the industry's performance for the period ended September 2024. The sector is expected to continue to grow due to the increase in the public awareness on the importance of the insurance products as well as due to the soundness of regulatory and supervisory framework of the insurance sector in Bahrain.

The Insurance sector in Bahrain is made up of two main segments: conventional and takaful. As of September 2024, total assets of the Insurance sector reached BD 2,433.8 million with an increase of 9.6% YoY. Total assets of conventional insurance firms were BD 2,210.7.8 million, a YoY decrease of 9.2%. Takaful firms' assets increased by 13.2% YoY to reach BD 223.0 million.

Total gross premiums registered BD 239.4 million as of September 2024 with medical records having the highest concentration in Gross Premiums (34.2%) and Gross Claims (36.7%). Conventional local firms accounted for the largest segment of total gross premiums (56.8%)

followed by Takaful (28.9%) and conventional overseas branches (14.3%).

of December 2024, CBB's Regulatory Sandbox includes 21 companies.

Payments and Settlement Systems and Point of Sale and E-Commerce

The CBB's payment system remained robust during 2024 as CBB continues to further enhance its steps towards digital transformation. The demand for online transactions continues its upward trend based on the performance of the Electronic Fund Transfer System (EFTS) that enables electronic fund transfers within Bahrain with three services: Fawri+ Fawri, and Fawateer.

Daily average volume of Fawri+ transactions increased by 20.5% in H2 2024 YoY. The daily average value of Fawri+ transfers increased by 13.2% YoY. The daily average volume and value of ATM transactions for H2 2024 continued to decrease by 16.1% and 8.4% respectively YoY indicating a continued trend of declining cash withdrawals.

Point of Sale (POS) and E-commerce transactions volume and value increased in H1 2023 by 13.9% and 8.1% YoY respectively. Contactless POS payments continue to show an increasing trend reaching 78.6% and 52.3% of the volume and value of transactions respectively.

FinTech, Innovation, and Financial Inclusion

Bahrain continues its efforts in repositioning itself as a Fintech hub in the region combining conventional and Shariah compliant FinTech solutions. CBB established a dedicated Fintech Unit on the 22nd of October 2017 to ensure the best services provided to individual and corporate customers in the financial sector. CBB continues its Fintech initiatives as part of its digital transformation strategy to further facilitate a more efficient provision of banking services to customers. As of end

HIGHLIGHTS

DEVELOPMENTS IN FINANCIAL SECTOR

As at end 2024

| | | |
|---------------------------|-------------------------|----------------------------|
| Financial Sector % of GDP | Number of Licenses | Banking Sector |
| 17.3% | 368 | USD 247.8 bn ▲ 3.9% YoY |
| M2 | Personal Credit | Business Credit |
| BD 14.7 bn ▲ 0.4% YoY | BD 5.9 bn ▲ 2.0% YoY | BD 5.2 bn ▲ 3.8% YoY |

PERFORMANCE OF BANKING SECTOR

As at end 2024

| | | |
|---------------------|--------------------|-------------------|
| CAR | NPL | Assets-to-Capital |
| 21.2% ▲ 1.5% YoY | 2.8% ▼ 0.1% YoY | 9.3 ▲ 0.4 YoY |

CAPITAL SECTOR

As at end 2024

| | | |
|------------------------|----------------------|--------------------------|
| All Share Index | Islamic Index | Market Capitalization |
| 1,985.91 ▲ 0.7% YoY | 779.85 ▲ 6.9% YoY | BD 7.7 bn ▼ -0.1% YoY |

INSURANCE SECTOR

As at Q3 2024

| | | |
|---------------------|---------------|------------|
| Insurance Licensees | Total Capital | Net Profit |
| 21.2% ▲ 1.5% YoY | BD 411.8 mn | BD 26.5 mn |

PAYMENT AND SETTLEMENT SYSTEMS

As at end 2024

| | | | | | |
|-------------------|------------|---------------|-------------|------------------|-------------|
| ATM Daily Average | | Fawri + Daily | | POS Transactions | |
| Volume | Value | Volume | Value | Volume | Value |
| 26,429 | BD 2.9 mn | 1,181,463 | BD 23.4 mn | 114.6 | BD 2.4 bn |
| ▼ 16.1% YoY | ▼ 8.4% YoY | ▲ 20.5 % YoY | ▲ 13.2% YoY | ▲ 20.4% YoY | ▲ 14.6% YoY |



DEVELOPMENTS IN THE FINANCIAL AND NON-FINANCIAL SECTORS

HIGHLIGHTS

As at Dec 2024

| | | |
|---|---|--|
| Financial Sector % of GDP 17.3% | Number of Licenses 368 | Banking Sector USD 247.8 bn ▲ 3.9% YoY |
| Retail Banking USD 110.9 bn ▲ 3.6% YoY | Wholesale Banking Assets USD 118.4 bn ▲ 6.9% YoY | Islamic Banking USD 63.3 bn ▲ 65.7% YoY |
| M2 BD 14.7 bn ▲ 0.4% YoY | Personal Credit BD 5.9 bn ▲ 2.0% YoY | Business Credit BD 5.2 bn ▲ 3.8% YoY |

- The size of the assets of the banking sector in Bahrain continued to grow reaching USD 247.8 billion as of December 2024.
- The retail banking sector assets increased to USD 110.9 billion and wholesale banking sector assets increased to USD 118.4 billion representing 44.7% and 47.8% respectively.
- The volume of credit increased by 4.6% to BD 12.3 billion in December 2024.
- Household debt and business debt ratios witnesses an increase while business.
- As of end of 2024, outstanding Loans to SMEs represented 10.6% of total business lending and 4.7% of total lending.

1.1 Overview

This chapter assesses the recent developments of the Bahraini financial and non-financial sectors. The financial condition and performance of financial institutions depend on the their customers (households and business enterprises) and their vulnerabilities to changes in the economic environment. Not only are they sources of deposits, they represent major sources of demand for financial sector products and services.

1.2 Financial Sector Developments

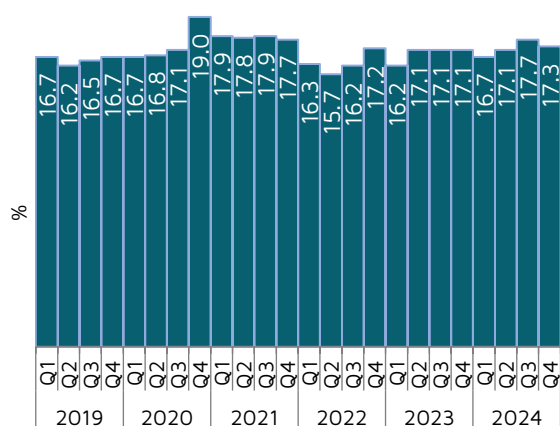
Bahrain's position as a regional financial center is essential to the development of its economy where the financial sector plays a significant role in economic activity and employment creation. The financial sector is the largest non-oil contributor to GDP representing 17.3% of real GDP in 2024 (compared to 17.1% in 2023, 17.2% in 2022, 17.7% in 2021). As of end of 2024 there were 368 licenses issued by CBB (bank and non-bank financial institutions). The banking sector in Bahrain was made up of 82 banks, categorized as follows:

- Retail banks: 29 retail banks that include 22 conventional (6 locally incorporated and 16 branches) and 7 Islamic retail banks.
- Wholesale banks: 53 wholesale banks that include 45 conventional (12 locally incorporated and 33 branches) and 8 Islamic wholesale banks.

The 277 non-banking financial institutions operating in Bahrain include investment business firms, insurance companies (including Takaful and Re-Takaful firms), representative offices and specialized licenses.

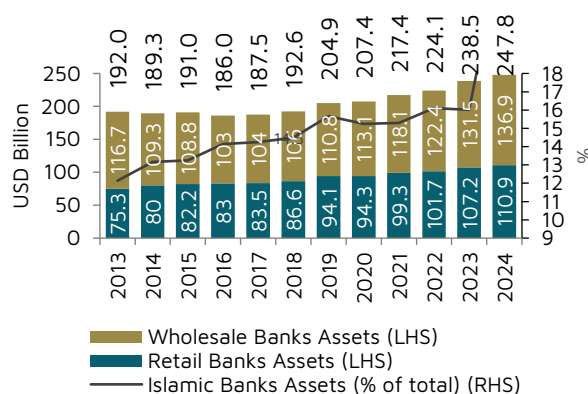
The size of the assets of the banking sector in Bahrain was USD 247.8 billion as of December 2024 (3.9% YoY increase). Growth in Retail and Wholesale Banking continued in 2024 with YoY growth of 3.6% and 6.9% respectively. As for the Islamic banking sector, it grew immensely with a 65.7% YoY growth and represented 25.5% of the size of the banking sector.

Chart 1.1: Size of the Financial Sector to Real GDP



Source: Information and e-Government Authority (IGA).

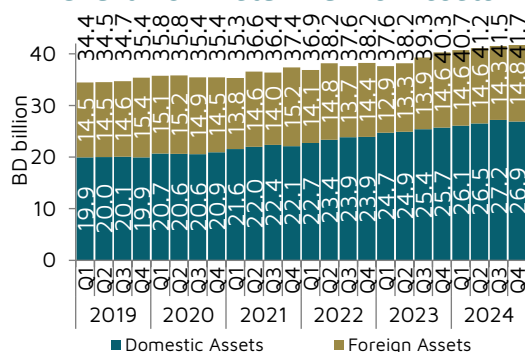
Chart 1.2: Banking Sector Asset Composition



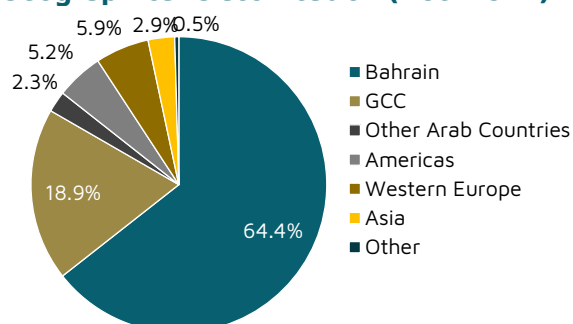
Source: CBB Monthly Statistical Bulletin.

1.2.1 The Retail Banking Sector

Retail banking assets continued to grow reaching BD 41.7 billion (USD 110.9 billion) in December 2024 with a 3.6% year-on-year (YoY) increase (see Chart 1.3). As of December 2024, domestic assets comprised 64.4% of total assets with a YoY growth of 4.7% while foreign assets comprised 35.6% of total assets with a YoY increase of 1.6%.

Chart 1.3: Retail Banks' Assets

Source: CBB Monthly Statistical Bulletin.

Chart 1.4: Retail Banks' Assets (%) by Geographical Classification (Dec. 2024) *

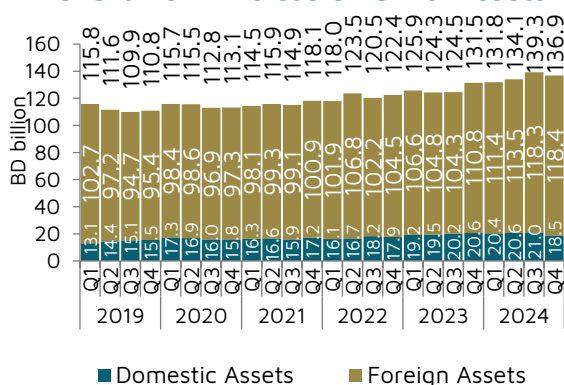
* For conventional and Islamic retail banks.
Source: CBB Monthly Statistical Bulletin.

According to the geographical classification of the retail banking sector in Bahrain, the sector is exposed to foreign risk regionally from GCC countries and lightly exposed to Western Europe and U.S as the share of GCC assets of total retail banking assets was 18.9% and European and the Americas contribution was 11.1%.

1.2.2 The Wholesale Banking Sector

The size of the wholesale banking sector increased to USD 136.9 billion in December 2024 with a YoY growth of 6.9%. As of December 2024, domestic assets represented 13.5% of total assets and witnessed a YoY decline of 10.4% while foreign assets made 86.5% of total assets with a 6.9% YoY increase in assets. (See Charts 1.5).

According to the geographical classification of wholesale banks' assets, wholesale banks are exposed to foreign risk from Western Europe and GCC countries. The share of GCC assets decreased to 24.7% in December 2024, which used to represent the larger portion of wholesale bank assets. The share of Western Europe's total assets decreased to 29.0%, remaining the largest portion of wholesale bank assets. The share of America's total assets increased to 18.9% and Asian assets decreased to 6.9% in December 2024.

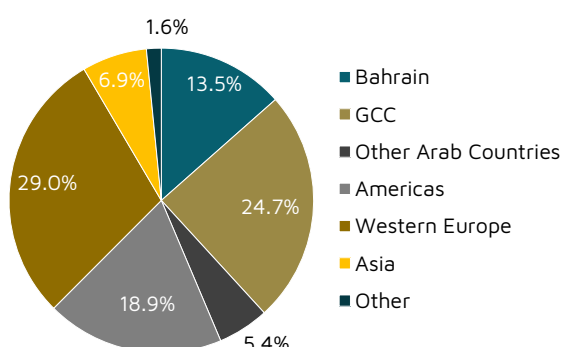
Chart 1.6: Wholesale Banks' Assets

Source: CBB Monthly Statistical Bulletin.

* For conventional and Islamic wholesale banks.
Source: CBB Monthly Statistical Bulletin.

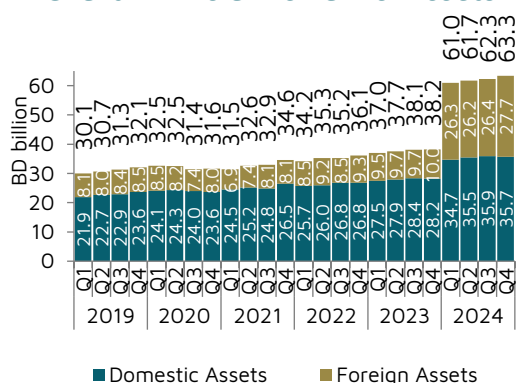
1.2.3 The Islamic Banking Sector

The size of the Islamic banking sector significantly increased to USD 63.3 billion as of December 2024 indicating a 65.7% YoY increase. Domestic assets represented 56.3% of total Islamic banking assets in the sector (26.3% YoY increase) while foreign assets

Chart 1.5: Wholesale Banks' Assets by Geographical Classification (Dec. 2024)*

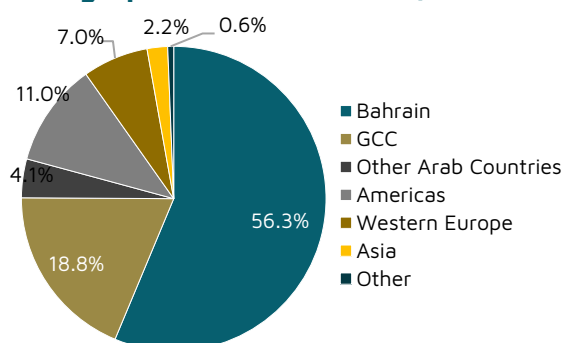
represented 43.7% of total Islamic banking assets (177.2% YoY increase). Islamic banks continue to be majorly exposed to domestic risks as the share of Bahrain's total assets decreased to 56.3% in December 2024 followed by the GCC (18.8%).

Chart 1.7: Islamic Banks' Assets



Source: CBB Monthly Statistical Bulletin.

Chart 1.8: Islamic Banks' Assets by Geographical Classification (Dec. 2024)



Source: CBB Monthly Statistical Bulletin.

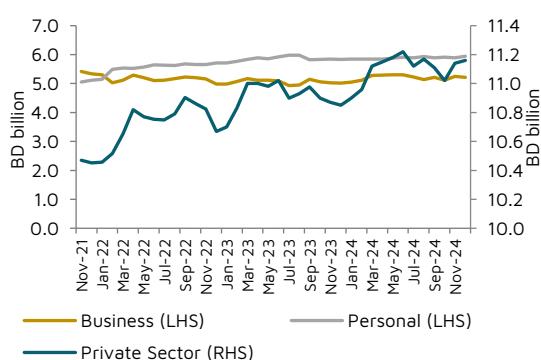
1.2.4 Islamic Windows

There are a number of conventional retail banks in Bahrain that maintain Islamic windows offering Islamic banking services/products to clients who are interested in Sharia-compliant banking. As of December 2024, there were 5 Islamic windows operating by conventional retail licenses in Bahrain with total assets of BHD 0.7 billion (1.7% of retail banking assets). As of December 2024, 100% of total assets were domestic (79.4% YoY decrease) while 0% were foreign (100% YoY decrease).

1.3 Credit Developments

Domestic credit by retail banks increased from BD 11.8 billion in December 2023 to BD 12.3 billion in December 2024 with a 4.6% YoY increase. Credit given to the private sector (business and personal) witnessed a YoY increase of 2.8% moving from BD 10.8 billion in December 2023 to BD 11.2 billion in December 2024 (Chart 1.9). Business lending contributed 42.3% of total lending and personal lending contributed 48.3%. The personal sector was the main driver of the growth in credit financing in 2024 led mainly by mortgage lending. Regarding retail banks' lending to the general government, there was an increase of BD 234.7 million (25.4% YoY increase) at end 2024 reaching BD 1.2 billion (Chart 1.10).

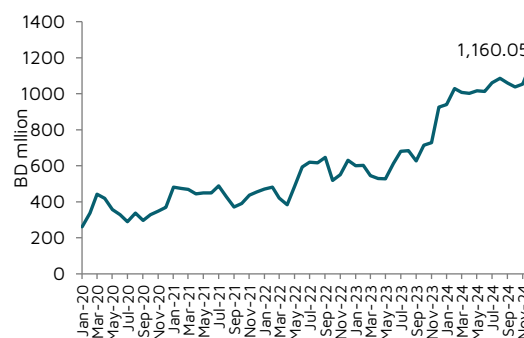
Chart 1.9: Loans to the Private Sector*



Source: CBB Monthly Statistical Bulletin.

* Excluding securities.

Chart 1.10: Loans to General Government*



Source: CBB Monthly Statistical Bulletin.

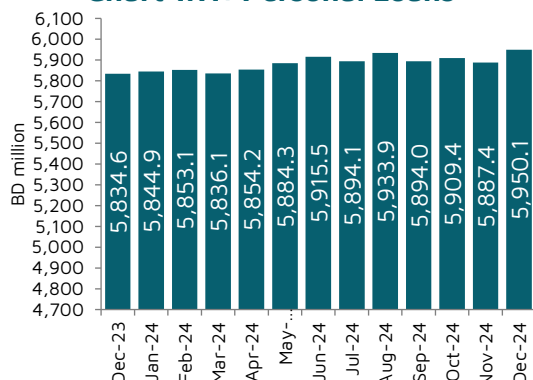
* Excluding securities.

1.3.1 The Households/Personal Sector

The household/personal sector in Bahrain plays an important role in financial stability and the overall economy. Outstanding personal loans, used as a proxy for household borrowing,

shows an increase of 2.0% in 2024 reaching BD 5.9 billion (Chart 1.11). Personal loans as a percentage of GDP increased to 33.6% by December 2024.

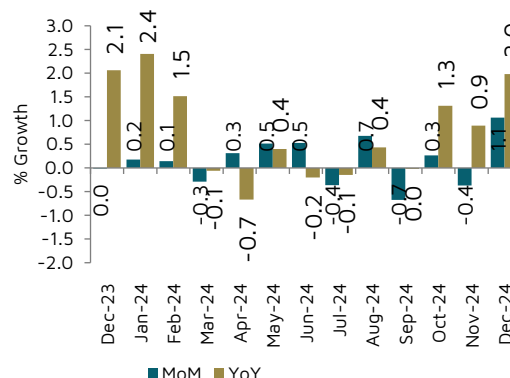
Chart 1.11: Personal Loans



*Using 2024 forecasted GDP.

Source: CBB Monthly Statistical Bulletin.

Chart 1.12: Growth Rates of Total Personal Loans and Advances (%)



Source: CBB Monthly Statistical Bulletin

The monthly growth rate in total personal loans and advances fluctuated between December 2023 and December 2024. Initially 0.0% in December 2023 it increased to reach its highest level for the year 1.1% in December 2024. The highest YoY growth was January 2024 (2.4%).

The two main contributors to personal loans remain to be personal loans secured by property mortgages which made up 50.9% of the total personal loans followed by personal loans secured with salary assignments at 29.8% of total personal loans.

Table 1.1: Personal Loans Breakdown

| BD million | 2020 | 2021 | 2022 | 2023 | 2024 | % YoY |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|------------|
| Total | 4,717.3 | 5,110.7 | 5,716.8 | 5,834.6 | 5,950.1 | 2.0 |
| Secured by Property Mortgage | 2,197.9 | 2,261.5 | 2,760.8 | 2,880.3 | 3,030.3 | 5.2 |
| Secured by Vehicle Title | 118.1 | 109.2 | 106.6 | 97.1 | 97.2 | 0.2 |
| Secured by Deposits | 187.6 | 133.7 | 129.4 | 236.9 | 209.7 | -11.5 |
| With Salary Assignment | 1,700.4 | 1,933.0 | 1,915.0 | 1,778.5 | 1,775.7 | -0.2 |
| Credit Card Receivables | 92.2 | 99.5 | 84.2 | 119.9 | 133.9 | 11.7 |
| Other | 421.1 | 573.8 | 720.8 | 721.9 | 703.3 | 2.6 |

Source: CBB Monthly Statistical Bulletin.

Chart 1.13: Personal Loans Breakdown (Dec. 2024)

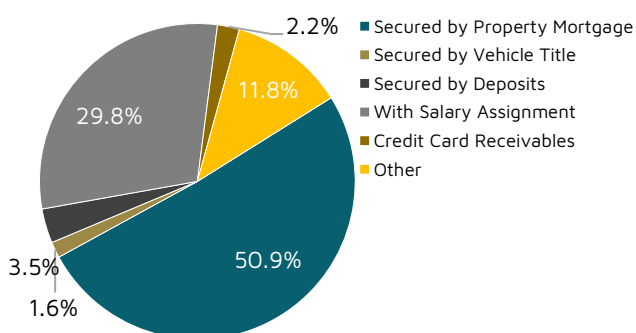
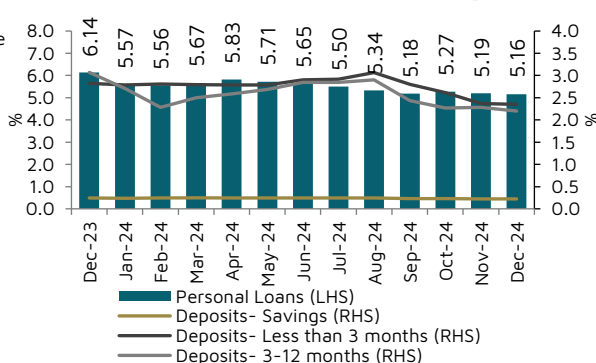


Chart 1.14: Retail Banks- Average Interest Rates on Personal Loans and Deposits (%)



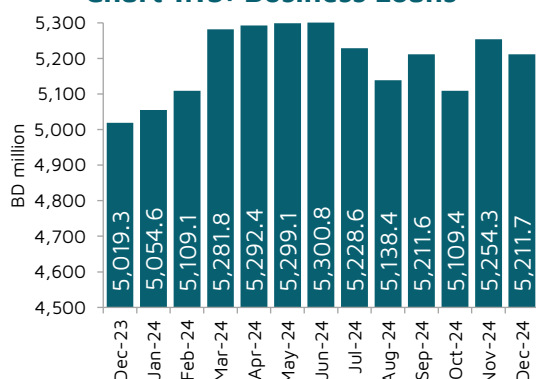
Source: CBB Monthly Statistical Bulletin.

Interest rates on personal loans started off at 6.14% in December 2023 and decreased to 5.16% in December 2024 (Chart 2.14). The chart also shows the retail deposit rate for: Saving deposits, time deposits less than 3 months, and time deposits 3 months to 12 months over the same period.

1.3.2 The Bahraini Corporate/Business Sector

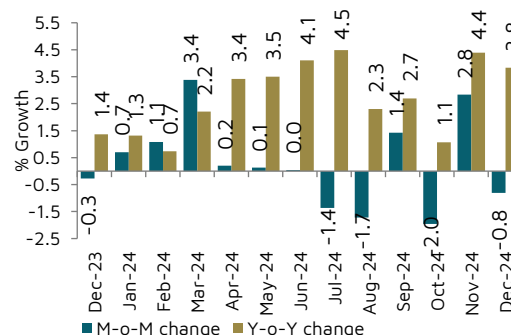
Business loans and advances grew by 3.8% between December 2023 and December 2024 from BD million 5,019.3 in December 2023 to BD million 5,211.7 (Chart 1.15). Outstanding business loans as a percentage of GDP decreased to 29.4% in 2024.

Chart 1.15: Business Loans



Source: CBB Monthly Statistical Bulletin.

Chart 1.16: Growth Rates of Total Business Loans and Advances (%)



Source: CBB Monthly Statistical Bulletin.

The monthly growth rate in total business loans and advances fluctuated between December 2023 and December 2024. Initially -0.3% in December 2023 it increased to reach its highest level for the year 3.4% in March 2024. The highest YoY growth was July 2024 (4.5%).

The biggest contributors to business loans in December 2024 were the construction and real estate sector (28.1%) followed by manufacturing (25.4%), and then trade (12.3%) (Chart 1.17).

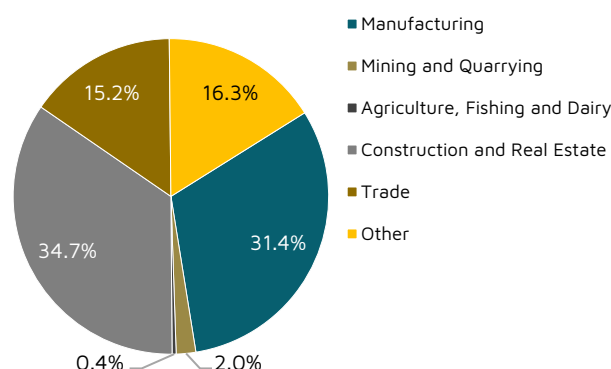
Table 1.2: Business Loans by Sector

| BD million | 2020 | 2021 | 2022 | 2023 | 2024 | % YoY |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|------------|
| Total | 5,326.9 | 5,341.2 | 4,951.5 | 5,019.3 | 5,211.7 | 3.8 |
| Manufacturing | 1,173.8 | 1,292.3 | 1,221.3 | 1,359.2 | 1,321.5 | -2.8 |
| Mining and Quarrying | 150.8 | 74.7 | 145.1 | 137.4 | 84.4 | -38.6 |
| Agriculture, Fishing and Dairy | 12.1 | 13.2 | 16.6 | 18.3 | 17.5 | -4.4 |
| Construction and Real Estate | 1,932.0 | 2,009.6 | 1,651.7 | 1,537.5 | 1,463.8 | -4.8 |
| Trade | 934.4 | 903.9 | 814.0 | 766.8 | 642.6 | -16.2 |
| Other Sectors | 499.2 | 534.4 | 627.5 | 950.5 | 686.1 | -27.8 |

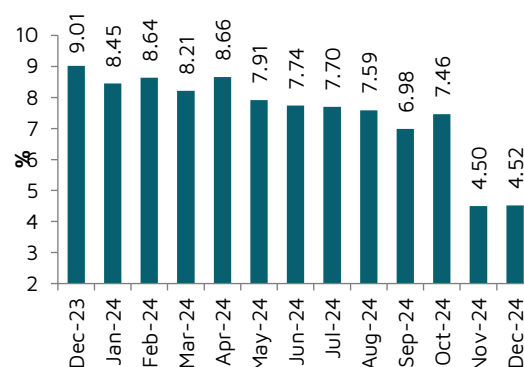
Source: CBB Monthly Statistical Bulletin.

Average interest rates on business loans fluctuated throughout the first half of 2024, but had an overall decreasing trend. It was at its peak in April 2024 at 8.66% and reached 4.50% in November 2024 (Chart 1.18).

Chart 1.17: Business Loans by Sector (Dec. 2024)



Source: CBB Monthly Statistical Bulletin.

Chart 1.18: Retail Banks' Average Interest Rates on Business Loans

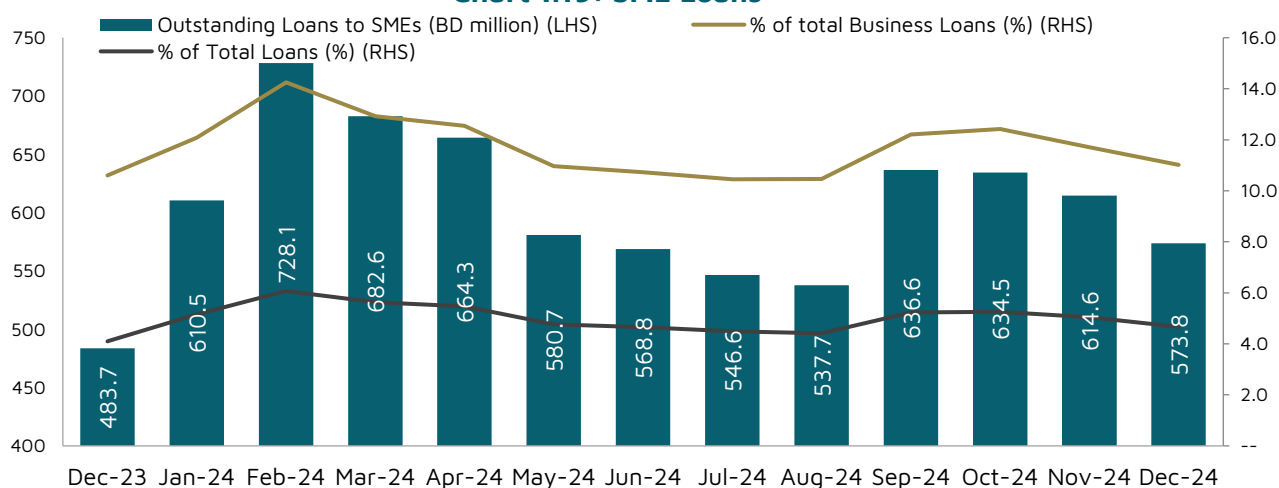
Source: CBB Monthly Statistical Bulletin.

1.3.3 SMEs

The Kingdom of Bahrain has been able to establish a number of institutional frameworks to create an ecosystem conducive for start-ups and for the growth of small- and medium-sized enterprises (SMEs). CBB recognizes the role that SMEs play in the economic growth in Bahrain and the importance of funding required to help the sector.

Within the Financial Sector Development Strategy 2022-2026, the CBB has indicated its efforts in strengthening of financing mechanisms available to SMEs. CBB continues its efforts with the banking sector to help to make SME financing more accessible and affordable by encouraging banks to lend more to SMEs to help boost further the growth of the SME sector, which is a vital part of the Bahraini economy.

As of end of December 2024, outstanding Loans to SMEs were BD 573.8 million representing 11.0% of total business lending and 4.7% of total lending.

Chart 1.19: SME Loans

Source: CBB Monthly Statistical Bulletin.

1.4 Monetary Indicators

Money supply remained constant in 2024. M2 stood at BD 14,747.6 million in December 2024, 0.4% higher than its value of December 2023. M3 was at BD 16,220.5 million in December 2024, 1.6% higher than in December 2023 (Table 1.3). Table 1.3 sets out an analysis of Bahrain's M1, M2 and M3 money supply as at the dates indicated.

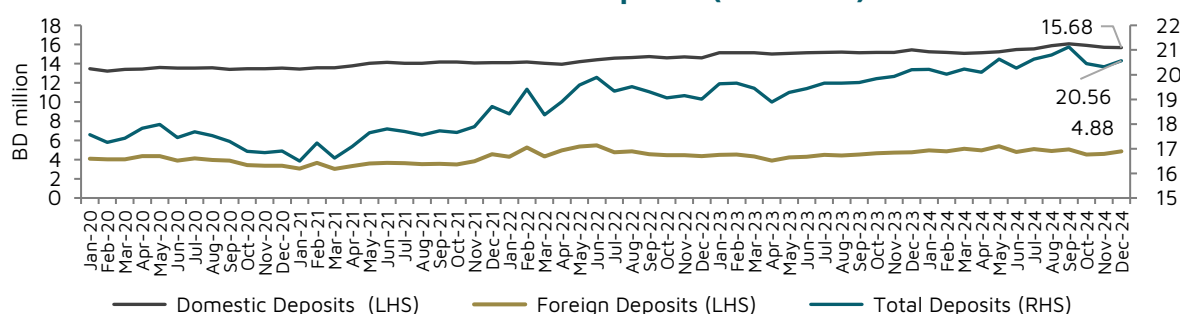
Table 1.3: Money Supply Composition

| BD million | 2020 | 2021 | 2022 | 2023 | 2024 | % YoY |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------|
| Currency Outside Banks | 593.0 | 558.0 | 506.5 | 531.9 | 534.0 | 0.4 |
| Demand Deposits | 3,288.0 | 3,952.0 | 3,398.5 | 3,207.5 | 3,263.9 | 1.8 |
| M1 | 2,921.1 | 3,224.7 | 3,063.3 | 2,833.3 | 2,933.5 | 3.5 |
| Time & savings deposits | 8,959.0 | 8,955.4 | 10,079.7 | 10,950.5 | 10,949.7 | -0.01 |
| M2 | 12,840.0 | 13,465.4 | 13,984.8 | 14,689.9 | 14,747.6 | 0.4 |
| General Government Deposits | 1,311.3 | 1,418.8 | 1,150.6 | 1,276.4 | 1,472.9 | 15.4 |
| M3 | 14,151.3 | 14,884.2 | 15,135.4 | 15,966.3 | 16,220.5 | 1.6 |

Source: CBB Monthly Statistical Bulletin.

As of December 2024, growth in money supply was stimulated by a growth in government deposits. General government deposits increased by 15.4% from BD 1,276.4 million in December 2023 to BD 1,472.9 million in December 2024, while time & savings deposits decreased slightly below December 2023 levels.

Total deposits reached BD 20.6 billion in December 2024 with a 1.8% YoY increase (where domestic deposits represent 76.3% of total deposits and had a YoY increase of 1.6%. During 2024, savings were boosted with increases in time deposits as customers were benefiting from the higher interest rates on deposits. Deposits continued a gradual upwards trajectory in line with the growth of the economy.

Chart 1.20: Total Deposits (BD billion)

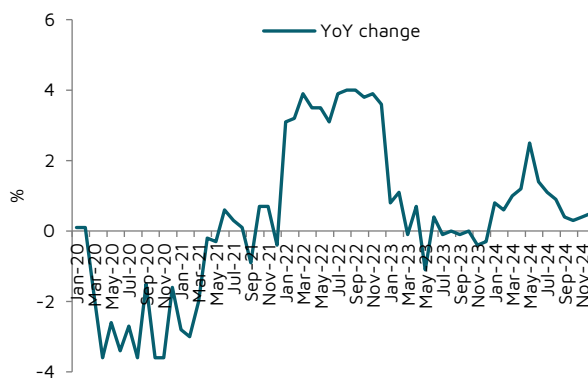
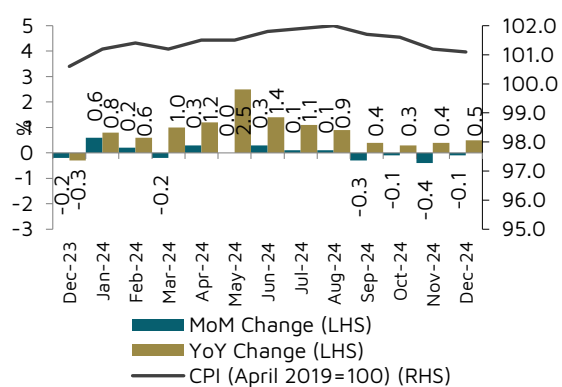
Source: CBB Monthly Statistical Bulletin.

1.5 Inflation

CBB maintains the Bahraini Dinar's peg against the U.S. Dollar, which has provided price stability over the years and as a result managed to keep inflation relatively stable. Bahrain's inflation is measured by its Consumer Price Index (CPI) and includes 12 broad categories of consumer goods that are representative of consumption patterns in the economy.¹

As of December 2024, the Consumer Price Index (CPI) increased to 101.1 points. The annual average rate of inflation in 2024 was 0.5% (compared to -0.3% for 2023). The largest year-on-year price increase was recorded in May 2024 when prices increased by 2.5%.

¹ The index has been rebased to April 2019=100, with effect from May 2019, which resulted in certain methodological changes which include updating the expenditure weight, revising the sample of goods and services and improving the methods of price collection. Components are: food and non-alcoholic beverages; alcoholic beverages, tobacco and narcotics; clothing and footwear; housing, water, electricity, gas and other fuels; furnishing, household equipment and routine household maintenance; health; transport; communication; recreation and culture; education; restaurants and hotels; and miscellaneous goods and services.

Chart 1.21: CPI Change**Chart 1.22: Monthly Inflation Rate**

Source: IGA.

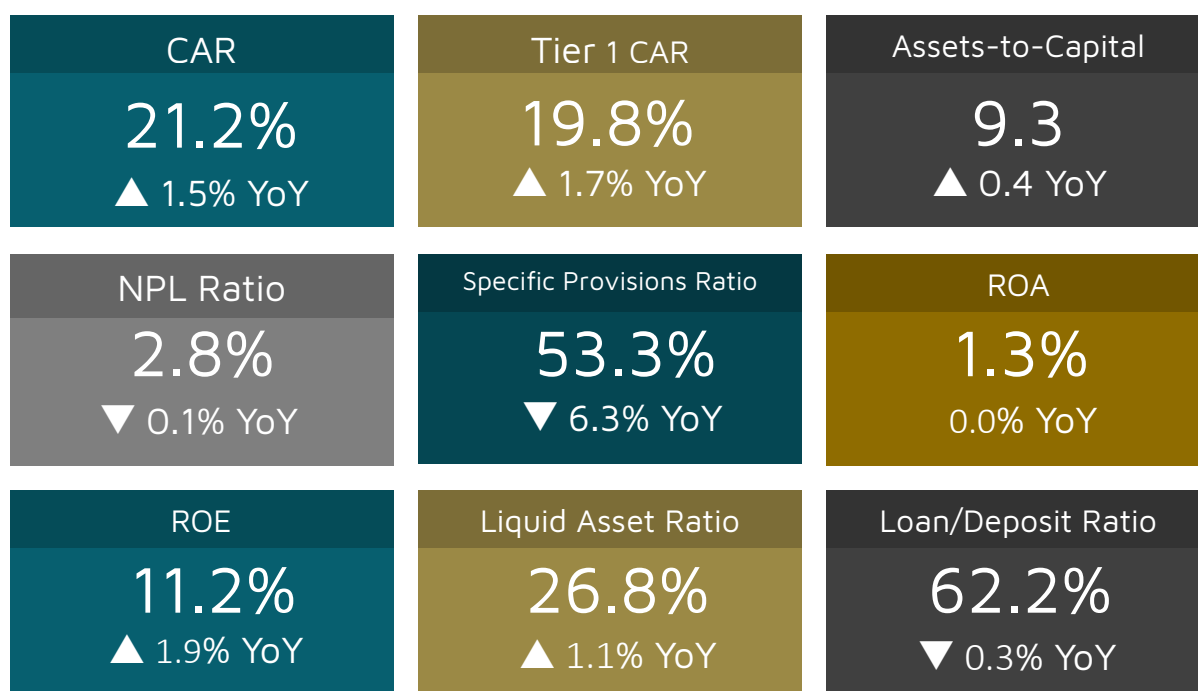
The divisions which made the largest upward contribution to the CPI in 2024 were the food and non-alcoholic beverages group. The divisions which made the largest downward contribution to the CPI in 2024 were the 'housing, water, electricity, and gas' and 'transport' groups.



PERFORMANCE OF THE BANKING SECTOR

HIGHLIGHTS

Q4 2024



- Increase in capital positions. Capital positions remain strong.
- Improvement in asset quality with continued decreasing trend in NPL ratio.
- Loan portfolios remain concentrated in some sectors with no significant change from the previous quarter.
- Stable positive earnings for banks.
- Liquidity position remains resilient.

2.1 Overview

This chapter offers an assessment of the banking sector in Bahrain.² Macro-prudential analysis of the entire banking sector is performed based on a set of selected Financial Soundness Indicators (FSIs). The banking sector in Bahrain is divided into four segments: conventional retail (CR), conventional wholesale (CW), Islamic Retail (IR), and Islamic wholesale (IW). The performances of conventional and Islamic banking segments are analyzed separately in in

² Chapters 3, 4, and 5 cover the period between Q4 2023 and Q4 2024, unless otherwise indicated.

Chapters 4 and 5. Annex 1 and Annex 2 presents selected FSIs for the different banking segments.³

Despite recent global macroeconomic developments in regard to inflationary pressures and monetary tightening, there was no impact on the Bahraini banking sector. Capital and liquid positions remained strong during the peak of COVID-19 related volatility and Bahraini banks' profitability continued to improve post-COVID. FSIs continued to show ample levels of capital and liquidity, low levels of defaults and adequate levels of provisions coverage.

CBB conducted liquidity stress tests of Bahraini retail banks that showed overall banking sector stability. The tests assessed the resilience of the banks against the backdrop of market uncertainty and the banking sector crisis in March 2023. Results indicated that the overall banking system can withstand these hypothetical adverse scenarios.

2.2 Overall Banking Sector Performance

2.2.1 Capital Adequacy

Strong capital position with an overall increasing trend

The capital adequacy ratio (CAR) for the banking sector stood at 21.2% in December 2024 increasing by 1.5% compared to December 2023. The core capital ratio (ratio of Tier 1 capital to risk-weighted assets) showed an increase from 18.1 December 2023 to 19.8% in December 2024. Whereas the leverage ratio (ratio of assets over capital) decreased to 9.3 times during the same period.

Table 2.4: Capital Provision Ratios

| Indicator* | Q4 2023 | Q2 2024 | Q4 2024 | YoY Change |
|-------------------------------|---------|---------|---------|------------|
| All Banking | | | | |
| CAR (%) | 19.7 | 20.4 | 21.2 | 1.5 |
| Tier 1 CAR (%) | 18.1 | 19.0 | 19.8 | 1.7 |
| Assets/Capital (Times) | 8.1 | 9.6 | 9.3 | 0.4 |
| All Retail | | | | |
| CAR (%) | 21.5 | 23.8 | 27.2 | 5.7 |
| Tier 1 CAR (%) | 20.0 | 22.4 | 25.8 | 5.8 |
| Assets/Capital (Times) | 8.1 | 8.8 | 8.5 | 0.4 |
| All Wholesale | | | | |
| CAR (%) | 17.9 | 17.2 | 17.2 | -0.7 |
| Tier 1 CAR (%) | 16.3 | 15.8 | 15.8 | -0.5 |
| Assets/Capital (Times) | 9.8 | 10.3 | 10.1 | 0.3 |

Source: CBB.

2.2.2 Asset Quality

Continued improvement in asset quality with decreasing NPL and strong provisions

The non-performing loans (NPLs) ratio continued to decrease reaching 2.8% in December 2024 from 2.9% in December 2023. The specific provisions as a proportion of NPLs continued to fall, decreasing to 53.3% in December 2024 from 59.8% in December 2023. During the pandemic, banks were required to assess credit exposures and be more prudent in determining any additional provision during the pandemic resulting in an increase in provisioning. Banks have gradually reduced their provisions to pre-pandemic levels as the economic outlook and business activity improved.

³ Chapters 3, 4, and 5 do not contain sections on stress testing. Stress testing exercises are performed separately in an internal report.

Table 2.5: NPL Ratios (Q4 2024)

| Indicator | Q4 2023 | Q2 2024 | Q4 2024 | YoY Change |
|----------------------------------|---------|---------|---------|------------|
| All Banking | | | | |
| NPLs (% Total Loans) | 2.9 | 3.0 | 2.8 | -0.1 |
| Specific provisions (% of NPLs)* | 59.8 | 59.1 | 53.3 | -6.3 |
| All Retail | | | | |
| NPLs (% Total Loans) | 3.8 | 4.1 | 3.8 | 0.0 |
| Specific provisions (% of NPLs)* | 58.9 | 54.5 | 49.3 | -9.6 |
| All Wholesale | | | | |
| NPLs (% Total Loans) | 2.2 | 2.1 | 2.0 | -0.2 |
| Specific provisions (% of NPLs)* | 61.0 | 63.6 | 60.0 | -1.0 |

Source: CBB.

Data on NPLs by time segment (up to 1 year, 1 year to 3 years, and over 3 years) show that the majority of NPLs in the banking sector are for a period of 1 year (42.2% of total NPLs). NPLs for over 3 years represented 34.1% of total gross loans. Specific provisioning for NPLs decreases as they are non-performing for longer periods of time. As seen in Table 3.3, NPLs for a period of more than 3 years are provisioned by 66.9%.

Table 2.6: NPL Ratios and Specific Provisions by Time Period (Q4 2024)

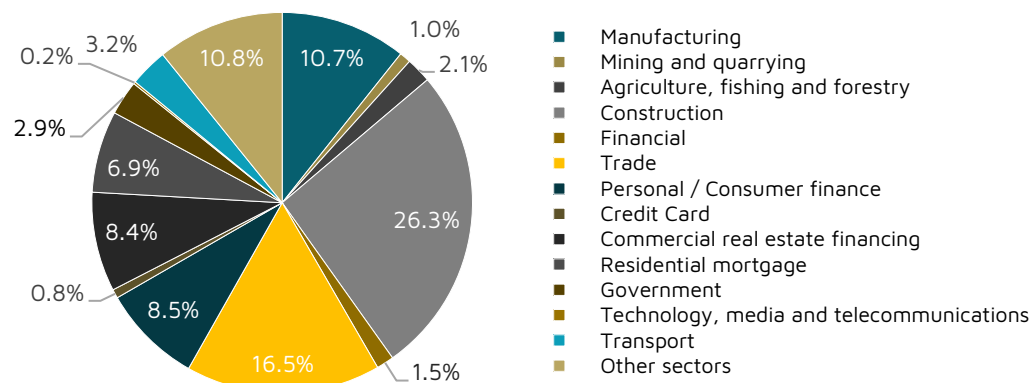
| Indicator | Up to 1 year | 1 up to 3 years | Over 3 years | Total |
|---------------------------------|--------------|-----------------|--------------|-------|
| All Banking | | | | |
| NPLs (% Total Loans) | 1.2 | 0.7 | 0.9 | 2.8 |
| Specific Provisions (% of NPLs) | 39.9 | 57.4 | 66.9 | 53.5 |
| All Retail | | | | |
| NPLs (% Total Loans) | 1.9 | 1.1 | 0.8 | 3.8 |
| Specific Provisions (% of NPLs) | 39.6 | 53.6 | 67.9 | 49.3 |
| All Wholesale | | | | |
| NPLs (% Total Loans) | 0.5 | 0.3 | 1.1 | 2.0 |
| Specific Provisions (% of NPLs) | 40.8 | 67.0 | 66.3 | 60.0 |

Source: CBB.

Chart 2.23: NPLs by Time Period (%)

Source: CBB.

The NPLs were concentrated in construction (26.3%), trade (16.5%) and manufacturing (10.7%) as indicated in chart 3.2.

Chart 2.24: NPLs Concentration by Sector (Q4 2024)

Source: CBB.

Data on the sectoral breakdown of NPLs ratios (NPLs per sector as a percentage of gross loans in each sector) shows an increase in impairment in some sectors, while some experience a decrease, and others remain unchanged (Table 3.4). The highest increase was in agriculture, fishing and forestry 2.2%. The highest decrease was in commercial real estate financing, which was 1.1%.

Table 2.7: NPL Ratios by Sector (%)

| Sector | Q4 2023 | Q2 2024 | Q4 2024 | YoY Change |
|--|---------|---------|---------|------------|
| Manufacturing | 2.4 | 2.6 | 2.1 | -0.3 |
| Mining and quarrying | 4.3 | 4.4 | 1.3 | -3 |
| Agriculture, fishing and forestry | 2.0 | 3.5 | 4.2 | 2.2 |
| Construction | 7.2 | 7.8 | 8.8 | 1.6 |
| Financial | 0.6 | 0.2 | 0.2 | -0.4 |
| Trade | 6.2 | 6.6 | 7.3 | 1.1 |
| Personal / Consumer finance | 2.8 | 2.9 | 3.0 | 0.2 |
| Credit Card | 2.9 | 3.5 | 3.8 | 0.9 |
| Commercial real estate financing | 4.5 | 5.2 | 3.4 | -1.1 |
| Residential mortgage | 2.9 | 3.0 | 2.9 | 0 |
| Government | 1.1 | 1.1 | 1.0 | -0.1 |
| Technology, media and telecommunications | 0.4 | 0.6 | 0.3 | -0.1 |
| Transport | 3.2 | 2.8 | 3.0 | -0.2 |
| Other sectors | 2.7 | 2.6 | 2.1 | -0.6 |

Source: CBB.

Loan portfolios face slight fluctuations and remain concentrated in some sectors.

The loan portfolio of the banking system remains concentrated in some sectors. Financial represented the highest exposure with 20.5% of total loans in December 2024. Manufacturing followed with 13.8% and construction stood at 8.2% of total loans.

Table 2.8: Lending Distribution (% Total Loans)

| Sector | Q4 2023 | Q2 2024 | Q4 2024 | YoY Change |
|--------|---------|---------|---------|------------|
|--------|---------|---------|---------|------------|

| | | | | |
|--|-------------|-------------|-------------|-------------|
| Manufacturing | 13.1 | 13.5 | 13.8 | 0.7 |
| Mining and quarrying | 2.2 | 2.1 | 2.0 | -0.2 |
| Agriculture, fishing and forestry | 1.8 | 1.6 | 1.4 | -0.4 |
| Construction | 9.4 | 9.1 | 8.2 | -1.2 |
| Financial | 19.0 | 19.6 | 20.5 | 1.5 |
| Trade | 6.5 | 6.1 | 6.2 | -0.3 |
| Personal / Consumer finance | 8.5 | 7.7 | 7.7 | -0.8 |
| Credit Card | 0.5 | 0.4 | 0.5 | 0 |
| Commercial real estate financing | 6.2 | 6.0 | 6.7 | 0.5 |
| Residential mortgage | 6.4 | 6.5 | 6.6 | 0.2 |
| Government | 8.0 | 7.5 | 8.0 | 0 |
| Technology, media and telecommunications | 1.6 | 1.6 | 1.5 | -0.1 |
| Transport | 3.0 | 3.5 | 3.0 | 0 |
| Other sectors | 13.9 | 15.0 | 13.8 | -0.1 |
| Top Two Sectors (%) | 32.9 | 34.6 | 34.3 | 1.4 |
| Real Estate/ Construction Exposure (%) ** | 22.0 | 21.6 | 21.6 | -0.4 |

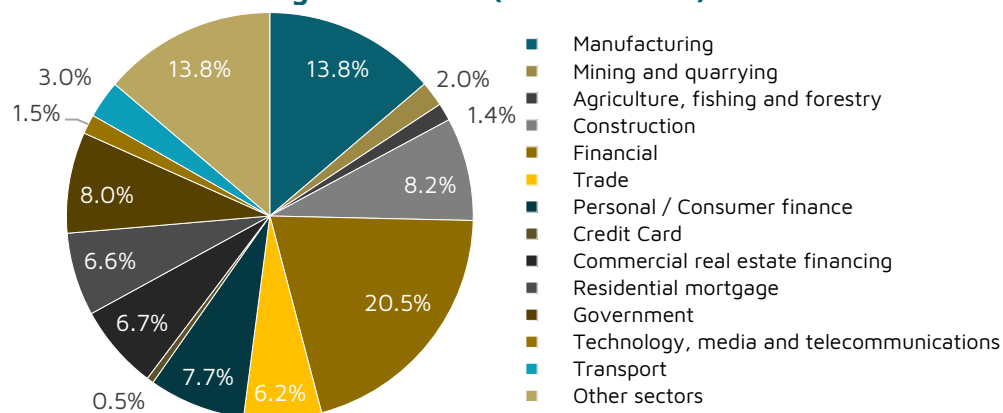
* Figures may not add to a hundred due to rounding.

** Real Estate/Construction exposure is calculated as the share of the construction, commercial real estate financing, and residential mortgages sectors of total lending.

Source: CBB.

The top two recipient sectors, financial and manufacturing, jointly represented 34.3% of loans in December 2024, a slight increase from the 32.9% in December 2023. Exposure to real estate/construction was 21.6% of total lending in December 2024, a moderate decrease from 22.0% registered in December 2023.

Chart 2.25: Lending Distribution (% Total Loans)



Source: CBB.

2.2.3 Profitability

Profitability remains positive.

The overall banking sector's profitability indicators have been stable between December 2023 to December 2024 and remain robust. Return-on-assets (ROA) remained at 1.3% in December 2024. As of December 2024, return-on-equity (ROE) increased to 11.2% from 9.3% in December 2023. Net interest income (as a % of total income) stood at 67.2% in December 2024. In addition, operating expenses as a proportion of total income was 48.2% in December 2024, an increase from the 46.6% registered in December 2023.

Table 2.9: Profitability

| Indicator | | | | | Q4 2023 | Q2 2024 | Q4 2024 | YoY Change |
|--------------------------|----------|-----|-------|--|---------|---------|---------|------------|
| All Banking | | | | | | | | |
| ROA (%) * | | | | | 1.3 | 0.7 | 1.3 | 0.0 |
| ROE (%) ** | | | | | 9.3 | 6.2 | 11.2 | 1.9 |
| Net Interest Income) *** | Income | (%) | Total | | 69.2 | 69.6 | 67.2 | -2.0 |
| Operating Income) | Expenses | (%) | Total | | 46.6 | 45.1 | 48.2 | 1.6 |
| All Retail | | | | | | | | |
| ROA (%) * | | | | | 1.4 | 0.9 | 1.7 | 0.3 |
| ROE (%) ** | | | | | 11.6 | 8.1 | 14.2 | 2.6 |
| Net Interest Income) *** | Income | (%) | Total | | 77.6 | 9.1 | 9.4 | 0.9 |
| Operating Income) | Expenses | (%) | Total | | 47.1 | 45.6 | 45.7 | -1.4 |
| All Wholesale | | | | | | | | |
| ROA (%) * | | | | | 1.1 | 0.6 | 1.0 | -0.1 |
| ROE (%) ** | | | | | 5.3 | 4.2 | 8.0 | 1.6 |
| Net Interest Income) *** | Income | (%) | Total | | 64.4 | 14.8 | 15.9 | 3.4 |
| Operating Income) | Expenses | (%) | Total | | 47.8 | 44.7 | 50.9 | 4.8 |

* ROA = ratio of net income to assets.

** ROE = ratio of net profit to tier 1 capital (for Locally Incorporated Banks only).

*** For Conventional Banks.

Source: CBB.

2.2.4 Liquidity

Liquidity positions remain comfortable.

Between December 2023 and December 2024, the overall loan-deposit ratio remained at 62.2%. Liquid assets as a proportion of total assets increased by 1.1% to 26.8% over the same period.

Table 2.10: Liquidity

| Indicator | | | | | Q4 2023 | Q2 2024 | Q4 2024 | YoY Change |
|------------------------|--|--|--|--|---------|---------|---------|------------|
| All Banking | | | | | | | | |
| Liquid Asset Ratio (%) | | | | | 25.7 | 25.5 | 26.8 | 1.1 |
| Loan-Deposit Ratio (%) | | | | | 62.5 | 60.3 | 62.2 | -0.3 |
| All Retail | | | | | | | | |
| Liquid Asset Ratio (%) | | | | | 29.0 | 32.4 | 32.9 | 3.9 |
| Loan-Deposit Ratio (%) | | | | | 65.2 | 60.5 | 60.9 | -4.3 |
| All Wholesale | | | | | | | | |
| Liquid Asset Ratio (%) | | | | | 23.3 | 20.9 | 22.2 | -1.1 |
| Loan-Deposit Ratio (%) | | | | | 60.6 | 60.1 | 63.6 | 2.6 |

Source: CBB.

2.3 Developments in Regulation and Initiatives

The following section sheds light on the regulatory and policy initiatives that took place in 2024 for the banking and financial sector:

Table 2.11: Key Banking Sector Regulatory and Policy Developments 2024

| Item | Description |
|--|--|
| Resolution No. (43) of 2024 Regarding the Conditions and Licensing Procedures of Undertaking Trustee Services | The CBB in November 2024, issued amendments to the resolution regarding the conditions and licensing procedures of undertaking trustee services, after a consultation in October 2024, which introduced a new category of trustees (Managed Trust Company) i.e. Trustee C. |
| Proposed new Fit and Proper Requirements Module | The CBB in October 2024, issued a consultation paper on the proposed new Fit and Proper requirements. The said requirements once finalised will supersede the existing 'approved person' requirements and 'training and competency' requirements. |
| Proposed Stablecoin Issuance and Offering Module | The CBB in October 2024, issued a consultation paper on draft regulations for issuance and offering stablecoins in Bahrain. |
| Second Consultation – Capital Adequacy Module (CA) | The CBB in July 2024, issued a second consultation for amendments to the Credit Risk section of the Capital Adequacy Module to incorporate Basel IV. |
| Extending the Scope of Open Banking – final amendments | The CBB in May 2024 issued final amendments to retail banks and entities providing open banking services that includes amendments to existing open banking related regulations in the General Requirements Module of CBB Rulebook Volumes 1 and 2 for conventional and Islamic banks and the Open Banking Module of the CBB Rulebook Volume 5 to allow legal persons access to open banking offerings. CBB also required banks, AISP and PISP to work with Benefit to implement the embedded flow for customer onboarding. |
| Proposed Amendments to the Cyber Security Requirements | The CBB in January 2024, issued a consultation paper on certain amendments to cyber security requirements in Module OM, GR and CRA requiring banks, PSPs and Crypto-asset Licensees to subscribe to a cyber threat intelligence service and an external attack surface management (EASM) platform in order to enhance their cyber security posture. |
| Methods of Notifications to Customers | The CBB in January 2024, issued a consultation paper taking into account advancements in technology and changes in consumer behaviour, proposing to require all retail banks and other licensees to introduce a variety of secure methods of notifications to customers in respect of transactions and changes in their accounts such as in-app notifications, email, SMS, etc with certain criteria to be met. |

Interest Rate Risk in the Banking Book Module (Module IR)

The CBB in January 2024, issued a consultation paper on proposed requirements on Interest Rate Risk in the Banking Book.

3 PERFORMANCE OF CAPITAL MARKETS

As at end 2024

| | | |
|--------------------------|------------------------|------------------------|
| # of Companies | All Share Index | Islamic Index |
| 41 | 1,985.91 ▲ 0.7% YoY | 779.85 ▲ 6.9% YoY |
| Market Capitalization | Value of Transactions | Volume of Transactions |
| BD 7.7 bn ▼ -0.1% YoY | BD 319.8 mn | 1,483.9 mn |

- Increase in Bahrain All Share & increase in Bahrain Islamic Index.
- Bahrain Bourse's market capitalization stood at BHD 7.7 billion in 2024 end, decreasing by 0.96%.
- The Financials Sector dominated the market trading activity as it had the highest value traded.
- Bahrainis represented 56% of the value of shares bought and 67% of value of shares sold during 2024.

3.1 Overview

This chapter provides an overview of the capital markets sector in the Kingdom of Bahrain and provide statistical insights of the performance of the mainboard market operated by Bahrain Bourse as a Self-Regulatory Organization (SRO) as well as relevant data on the issuance of securities and activities pertaining to takeovers, mergers and acquisitions in Bahrain.

In 2002, Bahrain expanded and centralized the scope of the financial sector regulatory supervision to encompass capital markets under CBB's Capital Markets Supervision Directorate (CMSD) supervisory umbrella. Henceforth, with the inception of the integrated regulator approach referred to as the "Single Regulatory Model", CBB became responsible for Bahrain's capital markets with a combination of rule and principle based regulatory framework.

As of end of 2024, Bahrain Bourse recorded a total listing of 41 Companies, 3 Mutual Funds, 19 Bonds and Sukuk and one REIT. During 2024, there were 20 companies that closed higher

and 15 closed lower and 6 remained unchanged. Financials sector remains the dominant sector in Bahrain Bourse in terms of market capitalization making up 58% of the total market capitalization. Bahrain Bourse remains a highly concentrated market in terms of market capitalization as the largest 5 companies in terms of market capitalization are ALBH, NBB, BBK, BEYON, and SALAM representing 68% of the total market.

3.2 Bahrain Bourse

3.2.1 All Share Index and Islamic Index Overview

Increase in market index

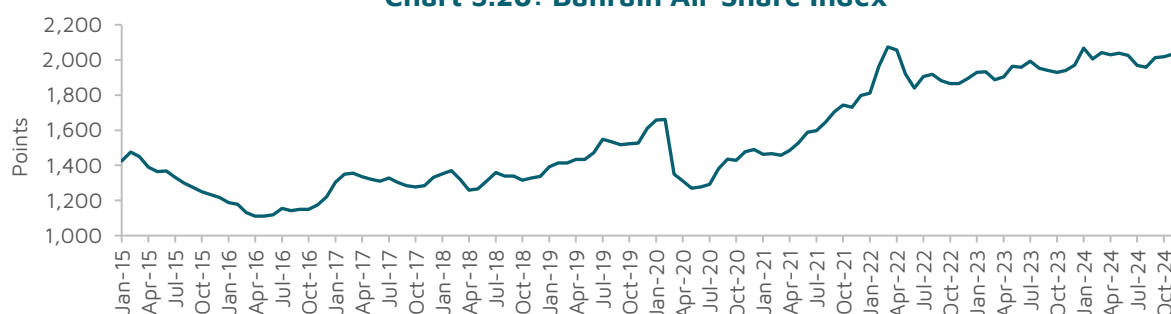
Bahrain All Share Index increased by 0.73% during 2024. The index recorded the lowest month-end close level in August, and the highest month-end close was recorded in February.

Table 3.12: Key Indicators of Bahrain Bourse

| Indicator | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|----------------|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| All Share Index | 1,337.3 | 1,610.2 | 1,489.8 | 1,797.3 | 1,895.3 | 1,971.49 | 1,985.91 |
| Highest | 1,369.9 | 1,610.2 | 1,668.7 | 1,797.3 | 1,918.0 | 1,992.02 | 2,005.42 |
| Lowest | 1,257.9 | 1,391.4 | 1,232.4 | 1,447.6 | 1,839.6 | 1,886.61 | 1,957.49 |
| Market Capitalization (BD, Total Value (BD million)) | 8,198.5 | 10,134.6 | 9,277.3 | 10,815.5 | 11,408.9 | 7,768.6 | 7,693.7 |
| Total Volume (million) | 323.8 | 286.4 | 212.8 | 195.7 | 160.6 | 210.2 | 319.8 |
| No. of Transactions | 1,441.1 | 1,157.3 | 1,209.3 | 1,018.3 | 517.3 | 780.7 | 1,483.9 |
| No. of Companies Listed | 19,225 | 20,712 | 19,309 | 21,001 | 17,190 | 17,730 | 17,014 |
| | 43 | 44 | 44 | 42 | 42 | 42 | 41 |

Source: Bahrain Bourse.

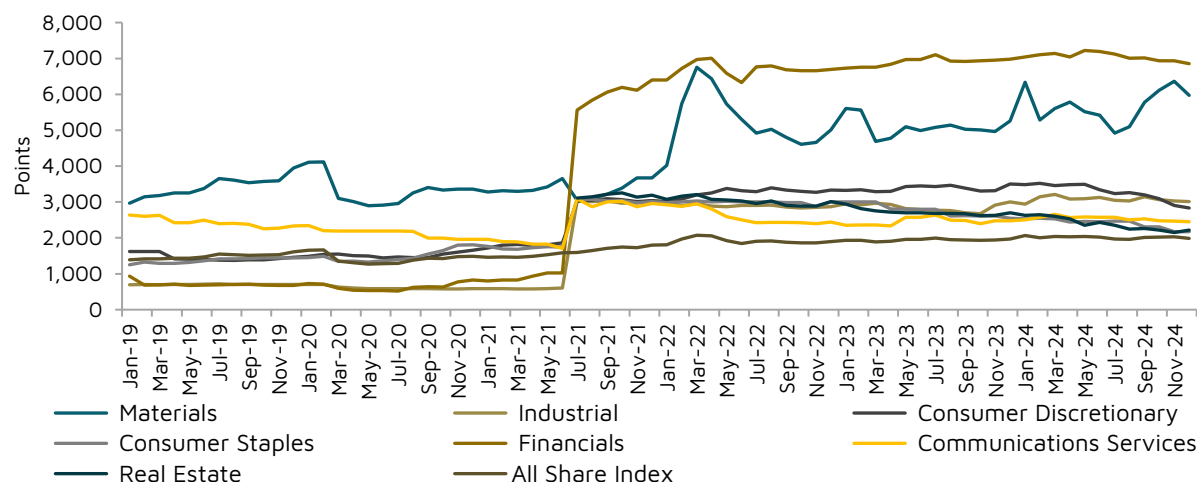
Chart 3.26: Bahrain All-Share Index



Source: Bahrain Bourse.

Bahrain Bourse's earlier sector industry classification had been in place since the establishment of Bahrain Bourse in 1987. The decision to reclassify current industrial sectors aims to enhance transparency and provide more reliable information on sector performance that is aligned to international best practices.

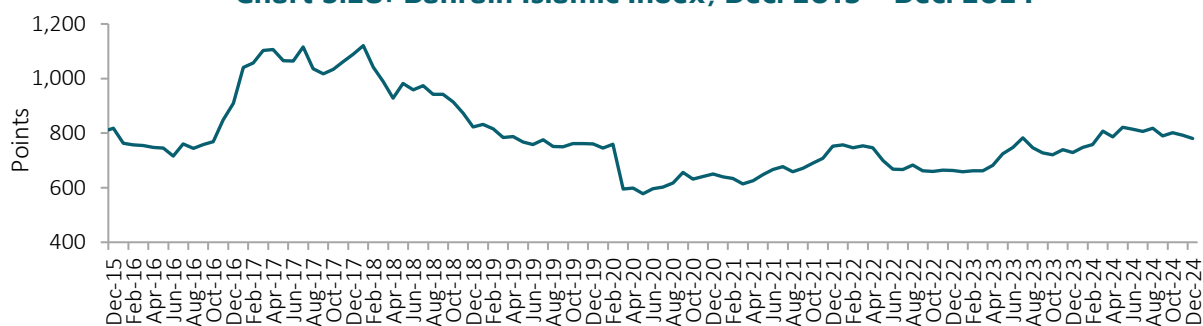
Chart 3.27: Sector Indices Levels & Returns

**Table 3.13: Bahrain All Share Index by Sector**

| | 2023 | 2024 |
|--------------------------------|----------|----------|
| Materials | 5,260.34 | 5,972.44 |
| Industrials | 2,998.53 | 3,015.52 |
| Consumer Discretionary | 3,503.62 | 2,835.85 |
| Consumer Staples | 2,547.56 | 2,175.61 |
| Financials | 6,976.11 | 6,855.36 |
| Communications Services | 2,480.53 | 2,451.93 |
| Real Estate | 2,696.64 | 2,216.69 |

Source: Bahrain Bourse.

In September 2015, Bahrain Bourse launched the Bahrain Islamic Index as the first Islamic finance index in the region. There were 14 Shariah compliant companies included within the index as of 2024. Bahrain Islamic Index increased by 6.99% in 2024 reaching 779.85 points.

Chart 3.28: Bahrain Islamic Index, Dec. 2015 – Dec. 2024

3.2.2 Bahrain Bourse Trading Statistics

Market Capitalization

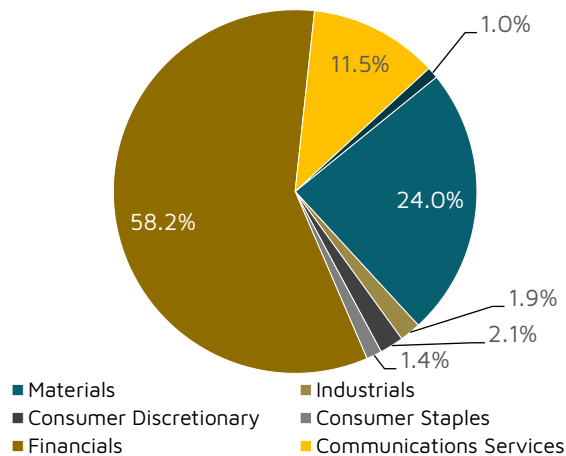
As of 2024, market capitalization of the Bahrain Bourse stood at BD 7.7 billion. This level of market capitalization is 0.96% lower than 2023.

Table 3.14: Market Capitalization on the Bahrain Bourse

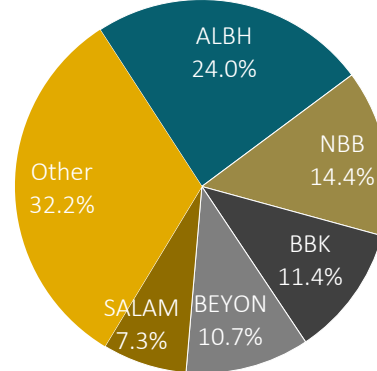
| Sector (BD) | 2023 | 2024 | (% Change) |
|--------------------------------|----------------------|----------------------|--------------|
| Materials | 1,625,900,000 | 1,846,000,000 | 13.54 |
| Industrials | 143,179,000 | 143,990,000 | 0.57 |
| Consumer Discretionary | 235,362,443 | 163,421,153 | -30.57 |
| Consumer Staples | 124,037,039 | 105,927,622 | -14.60 |
| Financials | 4,654,469,132 | 4,475,650,499 | -3.84 |
| Communications Services | 892,057,628 | 881,771,421 | -1.15 |
| Real Estate | 93,568,551 | 76,914,895 | -17.80 |
| Total | 7,768,573,793 | 7,693,675,590 | -0.96 |

Source: Bahrain Bourse.

A breakdown of market capitalization by sector indicates that the Materials sector scored the highest increase in market capitalization (13.54%) during 2024. The Consumer Discretionary sector recorded the highest percentage decrease in market capitalization with a 30.57% decrease during 2024.

Chart 3.29: Market Capitalization by Sector (2024)

Source: Bahrain Bourse.

Chart 0.30: Largest 5 companies by Market Capitalization (2024)

Source: Bahrain Bourse.

Aluminum Bahrain is the largest company in terms of Market Capitalization and contributes 23.99% of the total market capitalization as 2024. National Bank of Bahrain has the second largest share of Market Capitalization of 14.43% and it is followed by Bank of Bahrain & Kuwait with 11.38%, Bahrain Telecommunication Company with 10.72% and Al Salam Bank with 7.32%.

Table 3.15: Largest 5 Companies by Market Capitalization (2024)

| Company | Market Capitalization (BHD) | % from Total Market |
|--|-----------------------------|---------------------|
| Aluminum Bahrain (ALBH) | 1,846,000,000 | 23.99 |
| National Bank of Bahrain (NBB) | 1,110,376,779 | 14.43 |
| Bank of Bahrain and Kuwait (BBK) | 875,596,529 | 11.38 |
| Bahrain Telecommunication Company (BEYON) | 824,947,200 | 10.72 |
| Al Salam Bank (SALAM) | 563,294,215 | 7.32 |
| Total | 5,220,214,723 | 67.85 |

Source: Bahrain Bourse.

Value of Shares Traded

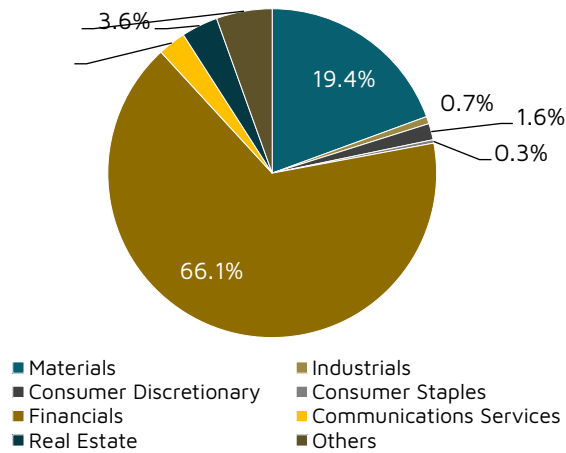
Most of the value of shares traded during 2024 was in the financial sector whose traded shares (by value) represented 66.10% of total value.

Table 3.16: Value of Shares Traded by Sector (% of Value of all shares traded)

| Sector | Value (BHD) | % from Total Market |
|--------------------------------|-------------|---------------------|
| Materials | 62,087,444 | 19.41 |
| Industrials | 2,294,693 | 0.72 |
| Consumer Discretionary | 5,149,924 | 1.61 |
| Consumer Staples | 1,056,393 | 0.33 |
| Financials | 211,399,054 | 66.10 |
| Communications Services | 8,758,344 | 2.74 |
| Real Estate | 11,496,345 | 3.59 |

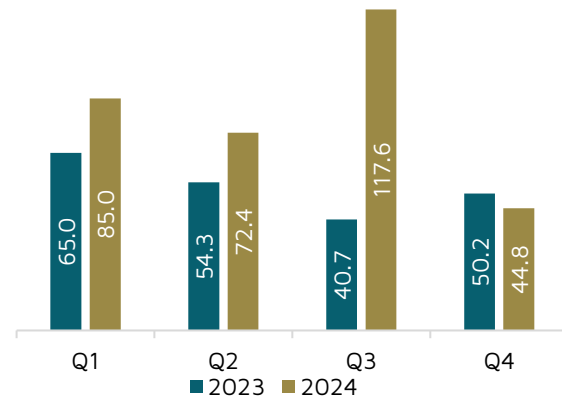
Source: Bahrain Bourse.

The Financials sector represents the largest level at 66.10% of the total value of shares traded in 2024. Investors' interest in Consumer Staples sector was the least during this period with traded shares by value representing only 0.33% of the total value of traded shares.

Chart 0.31: Value of Shares Traded by Sector (% of Value of all shares traded) (2024)*

* Other sector includes Closed companies, Non-Bahraini and IPOs.

Source: Bahrain Bourse.

Chart 3.32: Value of Shares Traded Comparison

Source: Bahrain Bourse.

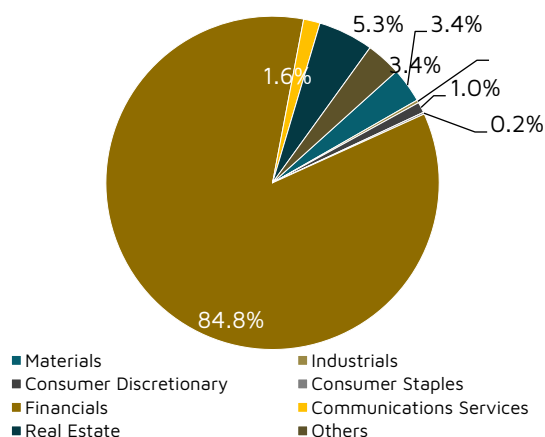
Volume of Shares Traded

The bulk of the volume of shares traded in 2024 was in the Financial sector representing 84.78% of the total volume of shares traded, followed by the Real Estate sector at 5.35%. The lowest level was attained by the Consumer Staples sector at 0.18%.

Table 3.17: Volume of Shares Traded by Sector (% of Volume of all shares traded)

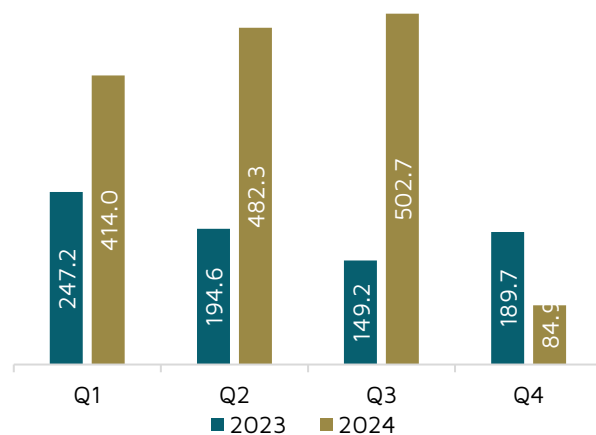
| Sector | 2023 | 2024 |
|-------------------------|------|------|
| Materials | 8.4 | 3.4 |
| Industrials | 3.8 | 0.3 |
| Consumer Discretionary | 1.1 | 1.0 |
| Consumer Staples | 0.1 | 0.2 |
| Financials | 77.1 | 84.8 |
| Communications Services | 4.0 | 1.6 |
| Real Estate | 1.5 | 5.4 |

Source: Bahrain Bourse.

Chart 0.33: Volume of Shares traded by Sector (% of Volume of all shares traded) (2024)*

* Other sector includes Closed companies, Non-Bahraini and IPOs.

Source: Bahrain Bourse.

Chart 0.34: Volume of Shares Traded Comparison

Source: Bahrain Bourse.

Number of Transactions

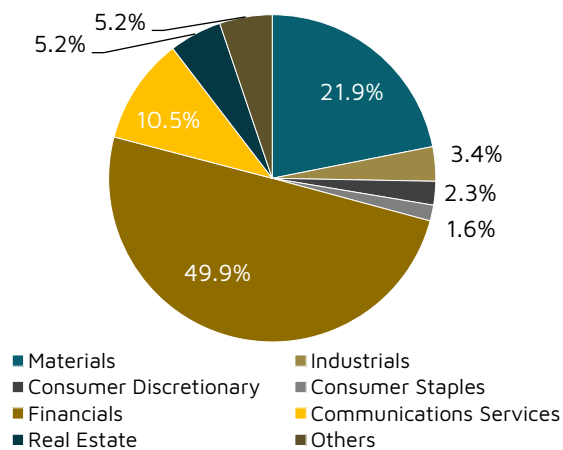
During 2024, the market executed 17,014 transactions. Most of the transactions were executed by the Financials sector at 8,486 transactions (50% of all transactions), followed by the Materials at 3,724 transactions (22%), and the Communications Services sector at 1,790 transactions (11%).

Table 3.18: Number of Transactions by Sector

| Sector | 2023 | 2024 |
|--------------------------------|---------------|---------------|
| Materials | 3,605 | 3,724 |
| Industrials | 781 | 579 |
| Consumer Discretionary | 429 | 399 |
| Consumer Staples | 168 | 266 |
| Financials | 8,743 | 8,486 |
| Communications Services | 2,003 | 1,790 |
| Real Estate | 841 | 885 |
| Total Market | 17,730 | 17,014 |

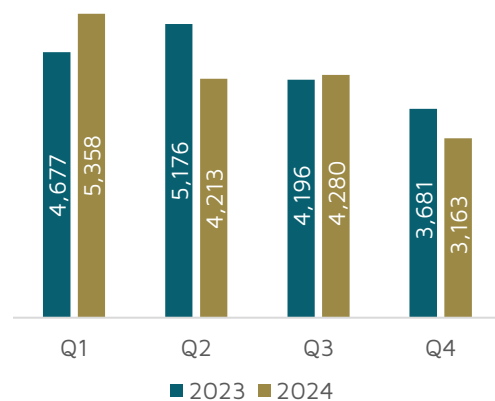
Source: Bahrain Bourse.

Chart 0.35: Number of Transactions (% of all transactions) (2024) *



*Other sector includes Closed companies and IPOs.
Source: Bahrain Bourse.

Chart 0.36: Number of Transactions Comparison



Source: Bahrain Bourse.

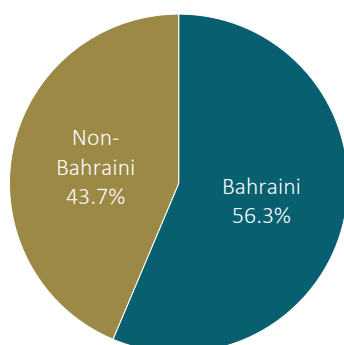
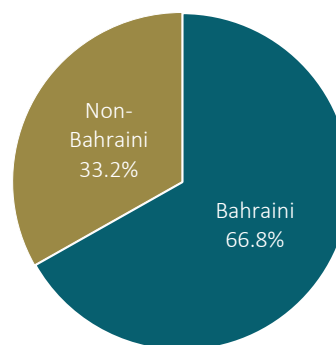
Trading by nationality

As of 2024, non-Bahraini nationals contributed to BHD 139.6m of the value of shares bought while Bahraini nationals contributed BHD 180.2m of the value of shares bought. As for sell-side of the transactions, Non-Bahraini nationals contributed to BHD 106.1m of the value of shares sold while Bahraini nationals contributed to BHD 213.7m of the remaining value of shares sold.

Table 3.19: Value of Transactions by Nationality (BD million)

| | 2023 | | 2024 | |
|-------------|----------|--------------|----------|--------------|
| | Bahraini | Non-Bahraini | Bahraini | Non-Bahraini |
| Buy | 132.8 | 77.4 | 180.2 | 139.6 |
| Sell | 124.0 | 86.2 | 213.7 | 106.1 |

Source: Bahrain Bourse.

Chart 3.38: Share of Trading Value of Buy transactions by nationality (2024)**Chart 3.37: Share of Trading Value of Sell transactions by nationality (2024)**

3.2.3 Economic Recovery Plan and Capital Markets Development Strategy

In December 2021, the Government of Bahrain initiated the economic recovery plan, which aims to greatly contribute to making Bahrain Bourse a regional financial market. With the support of the CBB, Bahrain Bourse continues to develop its operations to improve the financial services sector, benefit the national economy, provide more quality job opportunities, and attract investments.

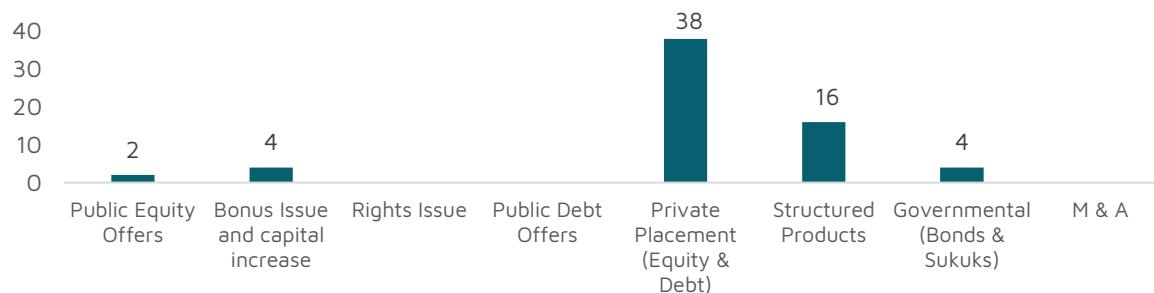
The CBB continues to work with Bahrain Bourse to implement a set of priorities and initiatives in partnership with the relevant parties, specifically in areas that will develop the performance of the financial market sector. The initiatives include encouraging initial public offerings and listing of companies, including government-owned companies, enhancing ways for coordination of dual listing with other GCC countries, and further strengthening the bond market. Efforts are also focused on encouraging small and medium-sized companies to list in the Bahrain Investment Market (BIM).

The strategy also aims to develop the financial market by supporting Bahrain in joining the emerging markets index, which would stimulate investment and provide support to market intermediaries and representatives in a way that contributes to expanding the number of investors and improving liquidity levels. It is also worth noting that the CBB has worked with Bahrain Clear to enhance ways of coordinating and linking clearing, settlement and central depository systems regionally and internationally, which aims to facilitate and enable investors to access the market of both parties by removing borders as much as possible – this initiative has seen light by virtue of the launch of the Tabadul Hub Platform. Further, Bahrain Bourse and Bahrain Clear are currently working on various areas to automate the services provided to investors.

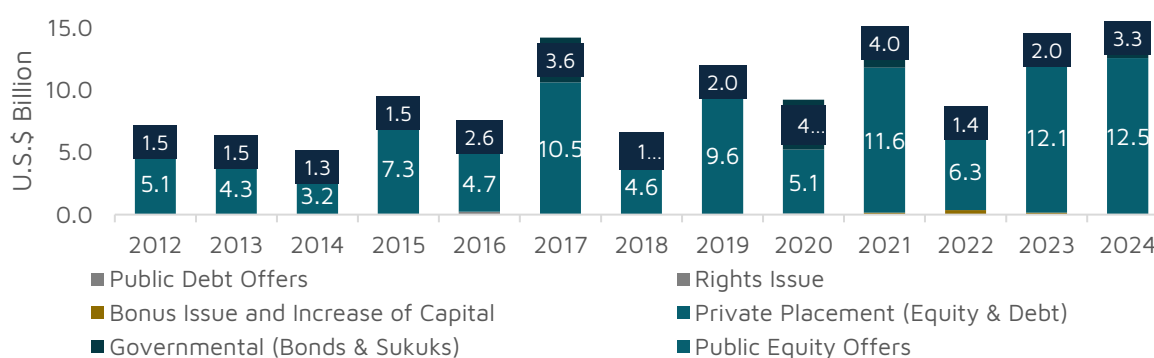
3.3 Capital Market Activities

3.3.1 Offering of Securities

As at December 2024, CBB issued its no objection to the issuance of 55 offering documents. The total value of issuances reached USD 17.729 billion. (Chart 7.18 & 7.19).

Chart 3.39: Number of Capital Market Activities

Source: CBB.

Chart 3.40: Total Issuance Value

Source: CBB.

3.4 Risks & Challenges in Capital Markets

The significance of cybersecurity risk on capital markets cannot be overlooked, given the developing landscape of the global markets, which decrees that regulators and capital market service providers must remain prudent, progressive, and vigilant to minimize such risks. In this regard, CBB; through the requirements stipulated under Module of CBB Rulebook Volume 6 requires Licensees to have in place a well-designed Disaster Recovery Plan and maintain at all times a plan of action (referred to as a business continuity plan) that sets out the procedures and establishes the systems necessary to restore fair, orderly and transparent operations, in the event of any disruption to the operations of the market.

Moreover, the regulatory framework for capital markets recognizes the significance of cybersecurity in the area of crypto-asset services. Crypto-asset service providers are required to test their IT infrastructures and core systems to verify the robustness of the security control measure that is in place to prevent security breaches, including penetration testing and vulnerability assessment undertaken by reputable third-party cyber security consultants to be conducted each year in June and December. In addition, Capital Markets licensees are mandated to maintain relevant systems in place for mitigating and managing operational and other risks.

FinTech solutions are increasingly affecting the Capital Markets, these changes are being reflected on different areas including: the core infrastructure that connects investors/clients

with the intermediaries through block chain technologies, post-trade and settlement digitization and innovative technology driven business models. In order to effectively reduce risks related to use of FinTech solutions, CBB is working towards further entertaining the regulatory framework pertaining to data security, legal framework of data usage, creating robust compliance and regulatory reporting and increasing partnership between financial institutions, FinTech services providers and the regulator.

Among the shared goals of CBB and the Bahrain Bourse presently is to increase liquidity and the number of investors in the market. Such an increase would mean a greater amount of due diligence and responsibility for CBB as it aims to ensure that all stakeholders involved are aware and adhering to the rules and regulations. Meanwhile, listed companies are also aiming to increase liquidity and trading in their own shares by cross listing in multiple exchanges. Consequently, such initiatives bring about their own set of regulatory risks that CBB tackles.

As of February 2025, 5 of the 41 listed companies on Bahrain Bourse were cross-listed outside of Bahrain, leading to challenges faced by CBB in maintaining the cross-listed companies' compliance with the capital market regulations of Bahrain. CBB is utilizing the IOSCO MMoU and the MoU between regulators of the financial markets in the Gulf Cooperation Council States in requesting assistance in relation to cross-listed companies.

It is important that the Buy-and-Hold/Passive Investment investor mentality is tackled, through the provision of tools which gives the investors a clear view of market activity. Bahrain Bourse is in collaboration with market information companies, such as Bloomberg, Thompson Reuters etc., to distribute data packages which include facilities relating to real-time market coverage, historical and end-of-day data, etc.

3.5 Developments in Regulation and Initiatives

The CBB actively takes part in joint work meetings of the GCC Council's Capital Market Authorities (or their equivalent) that aim to harmonize the rules, regulations and practices within the capital markets in the GCC and actively participates in the organization and management of a number of bilateral economic cooperation initiatives between the Kingdom of Bahrain and the Kingdom of Saudi Arabia as approved by the Saudi-Bahraini Coordination Council. In addition, the CMSD, on behalf of the CBB, manages its international cooperation within the capital markets' field, while making use of the best international experiences, among others. Therefore, the CMSD actively participates in the International Organization of Securities Commissions' ("IOSCO") Multilateral Memorandum of Understanding ("MMoU") and GCC MMoU, which CBB is a signatory of, by utilizing information exchange. In addition to such, the CMSD participates in incoming and outgoing requests such as studies, surveys, IOSCO Forum Inquiries, Reports and Consultations in order to engage and to share information with the IOSCO members at both global and regional levels on the basis of our respective experiences to assist the development of markets, strengthen market infrastructure and implement appropriate regulation. Such international cooperation enables the CBB to better protect investors, promote investor confidence, maintain fair, efficient, and transparent markets and address systemic risks.

During 2024, CBB endeavored to develop and complete the capital markets regulatory and legal frameworks, including Volume 6 of CBB Rulebook, its main objectives being, to enhance transparency, develop the capital markets, and protect investors. The following section will shed light on the activities that took place in the areas of policy, regulation, and market infrastructure during 2024:

3.5.1 Policy and Regulatory Developments

- **The Anti-Money Laundering and Combating Financial Crime (“AML”) Module of Volume 6 of the CBB Rulebook:** The AML Module has been amended in January 2024 to include updates pertaining to the customer due diligence requirements for natural persons.
- **The Stablecoin Issuance and Offering (“SIO”) Module of Volume 6 of the CBB Rulebook:** The proposed SIO Module has been issued for consultation in October 2024. Module SIO formulates the regulatory framework of CBB to govern the issuance and offering of stablecoins from and within the Kingdom of Bahrain.
- The new Fit and Proper Module has been issued for consultation on 17th October 2024, applicable to all licensees and proposed to supersede the Training and Competency Modules in the CBB Rulebook. The new regulatory framework envisaged in the Module reflects a fundamental shift in the way new board and senior management appointments and competency requirements are regulated.
- On 12th 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”. The amendments were made to the Markets and Exchanges (“MAE”) Module, Market Intermediaries and Representatives (“MIR”) Module and the Offering of Securities (“OFS”) Module and Prohibition of Market Abuse & Manipulation (“MAM”) Module under the CBB Rulebook – Volume 6.

3.5.2 Investor Protection Initiatives

- The Capital Market Authorities in the GCC formed the investor awareness program 'Mulim', which was launched as long-term Gulf program to raise Capital Market awareness. The program is in its third year with the aim of raising awareness on the culture of financial transactions and investment in the capital markets, through a number of awareness programs and events. One of the initiatives of the program is the GCC Smart Investor Award, which opens the door for participation to citizens and residents of the GCC countries in order to establish creative ideas related to the culture of financial and investment transactions.

3.5.3 IOSCO related initiatives

- The CBB joined the IOSCO’s Africa/Middle East Regional Committee (“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.

4 PERFORMANCE OF THE INSURANCE SECTOR

HIGHLIGHTS

Q3 2024

| | | |
|---------------------------|-----------------------------|----------------|
| Insurance Licensees | Total Capital | Net Profit |
| 136 | BD 411.8 mn | BD 26.5 mn |
| Assets of Conv. Insurance | Assets of Takaful Insurance | Gross Premiums |
| BD 2,433 mn | BD 223 mn | BD 239 mn |

- Conventional local firms account for 56.8% of total insurance industry with BD 136 million in total gross premiums as of September 2024. General insurance contributes 91% of total gross premiums.
- Both Conventional local insurance firms' and Takaful firms' performance is concentrated on Motor and Medical business lines.
- Overseas insurance firms' performance is concentrated on Medical and Long-term (Life) business lines.

4.1 Overview

This chapter highlights the overall performance of the insurance industry in Bahrain by looking at two main insurance segments: conventional and takaful, their different business lines, and classes.⁴ The conventional sector is further divided into local and overseas/branch firms.⁵

A significant number of insurance companies and organizations have established their presence in Bahrain. As of December 2024, there are a total of 128 insurance organizations

⁴ Takaful companies are companies conducting takaful business in line with Islamic principles. Overseas insurance companies are branches of foreign companies.

⁵ Chapter 6 covers the period between Q3 2023 and Q3 2024, unless otherwise indicated.

licensed and registered in the Kingdom. There are 30 insurance and reinsurance companies: 12 Conventional local, 5 Takaful local, 2 Reinsurance Firms, 1 Retakaful Firm, 1 Captive, and 9 overseas/foreign branches. These institutions offer all basic and modern insurance services, and reinsurance services as applicable, such as medical and health insurance and long-term insurance (life and savings products). The remaining 106 other registered insurance licenses include Insurance Brokers, Insurance Managers, Insurance Consultants, Registered Actuaries, Registered Loss Adjusters, Insurance Pools and Syndicates, Insurance Ancillary Services, and Insurance Representative Offices.

4.2 Financial Position and Profitability of Insurance Sectors

As of September 2024, total assets of the Insurance sector reached BD 2,433.8 million with an increase of 9.6% compared to BD 2,221.2 million in September 2023. Total liabilities increased by 12.4% over the same period reaching BD 1,744.9 million.

Total available capital⁶ increased from BD 391.6 million in September 2023 to BD 411.8 million in September 2024. Profitability, on the other hand, decreased significantly between September 2023 and September 2024 reaching BD 26,547 million.

Table 4.20: Total Assets, Liabilities, Capital, and Profitability of Insurance Sector by Segment

| BD 000 | Total Assets* | | Total Liabilities* | | Capital Available* | | Net Profit | |
|---------------------|------------------|------------------|--------------------|------------------|--------------------|----------------|---------------|---------------|
| | Q3 2023 | Q3 2024 | Q3 2023 | Q3 2024 | Q3 2023 | Q3 2024 | Q3 2023 | Q3 2024 |
| Conventional | 2,024,436 | 2,210,740 | 1,420,646 | 1,593,322 | 344,010 | 361,122 | 35,115 | 26,547 |
| Local | 1,830,222 | 1,990,727 | 1,257,396 | 1,408,054 | 318,362 | 330,183 | 33,580 | 23,047 |
| Overseas | 194,214 | 220,013 | 163,250 | 185,268 | 25,648 | 30,939 | 1,535 | 3,500 |
| Takaful | 196,724 | 223,012 | 131,861 | 151,615 | 47,559 | 50,759 | - | - |
| Total | 2,221,160 | 2,433,752 | 1,552,507 | 1,744,937 | 391,569 | 411,881 | 35,115 | 26,547 |

*For takaful it only includes Shareholder figures.

Source: CBB.

4.2.1 Conventional Insurance Firms

As of September 2024, total assets of the conventional insurance sector stood at BD 2,210.7 million, increasing by 9.2% compared to BD 2,024.4 million registered in September 2023. Assets of local insurance firms were BD 1,990.7 million (81% of total assets) with a positive growth rate of 8.7% since September 2023. Total assets of overseas foreign branches were BD 220 million (9% of total assets), recording an increase of 13.3%.

The liabilities of the conventional insurance sector registered at BD 1,593.3 million with a 12.1% increase from BD 1,420.6 million in September 2023. Liabilities for local insurance firms registered at BD 1,408.1 million increasing by 11.9%. Liabilities of overseas foreign branches were BD 185.3 million in September 2024 with an increase of 13.5%.

Total capital as of September 2024 was at BD 411.9 million increasing by 5.2% from BD 391.6 million in the equivalent period of the previous year. Total available capital for local insurance was BD 330.2 million with a YoY increase of 3.7%. Total available capital for overseas foreign branches increased by 20.6% from BD 25.6 million in September 2023 to BD 30.9 million in September 2024.

Net profit decreased for conventional insurance firms from BD 35.1 million in September 2023 to a profit of BD 26.5 million in September 2024. Net profit for local insurance was BD 23 million with a YoY decrease of 31.3%. Net profit for overseas insurance was BD 3.5 with a YoY increase of 128%.

⁶ As per CBB Rulebook, equity is a regulatory equity, which means encompasses Tier 1 Capital, Tier 2 Capital and deduction.

4.2.2 Takaful Insurance Firms

Total assets in Takaful firms in September 2024 increased by 13.3% to BD 223 million. The liabilities increased by 14.9% from BD 131.9 million in September 2023 to BD 151.6 million in September 2024. Total regulatory capital experienced an annual increase of 6.7% from BD 47.6 million in September 2023 to BD 50.8 million in September 2024.

4.3 Insurance Premiums and Claims Analysis

The Insurance products and services in the Kingdom are delivered via two main insurance classes: Life and non-life insurance.⁷

Gross Premiums for the insurance sector stood at BD 239.4 million, increasing by 10% YoY. Conventional insurance represented 71.1% of total gross premiums (local and overseas represented 56.8% and 14.3% respectively) while takaful accounted for 28.9% of gross premiums. As of September 2024, life insurance represented 9% of gross premiums while non-life/general insurance was 91% covering various classes.

Looking at the performance by class of business, the Long-term (Life) category experienced an annual decrease of 5.3%. Engineering increased by 32.0% and Medical increased by 18.0%. The top 3 business lines sectors represented are Fire, Motor and Medical insurance 69.6% of total gross premiums.

As of September 2024, Net Premiums Written increased by 9.6% compared to the previous period registering a value of BD 142.4 million. Miscellaneous Financial Loss showed the biggest increase (111.1%) over the period, increasing from BD 573 thousand in September 2023 to BD 1.209 million in September 2024. On the other hand, the biggest decline was derived from the Fire, Property & Liability classes, decreasing by 14.7% from BD 3.851 million in September 2023 to BD 3.283 million in September 2024.

Gross Claims for the insurance industry recorded a YoY increase of 8.9% from BD 133.3 million in September 2023 to BD 145 million in September 2024. The increase was mainly in the marine and Aviation class increasing by 236.4% from BD 584 thousand in September 2023 to BD 1.965 million in September 2024 and Others by 60.7% from BD 5.437 million to BD 8.737 million.

Net Claims for the insurance industry show an increase of 7.5%, which was derived from an annual increase in Engineering (170.7%) and Others (140.9%).

Table 4.21: Premiums and Claims for all Insurance Firms by Class– Bahrain Operations

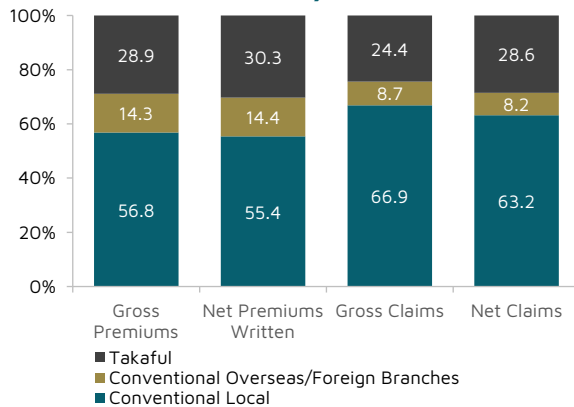
| BD 000 | Gross Premiums | | Net Premiums Written | | Gross Claims | | Net Claims | |
|---------------------------------------|----------------|---------|----------------------|---------|--------------|---------|------------|---------|
| | Q3 2023 | Q3 2024 | Q3 2023 | Q3 2024 | Q3 2023 | Q3 2024 | Q3 2023 | Q3 2024 |
| Long-term (Life) | 22,666 | 21,461 | 18,639 | 17,945 | 20,924 | 19,571 | 18,040 | 17,675 |
| Fire, Property & Liability | 34,352 | 33,785 | 3,851 | 3,283 | 16,828 | 12,713 | 2,918 | 701 |
| Miscellaneous Financial Loss | 6,243 | 6,297 | 573 | 1,209 | 813 | 915 | 92 | 39 |
| Marine & Aviation | 4,392 | 4,665 | 1,000 | 971 | 584 | 1,965 | 194 | 70 |
| Motor | 58,337 | 63,053 | 56,671 | 61,111 | 40,194 | 46,440 | 33,476 | 36,360 |
| Engineering | 10,530 | 13,903 | 350 | 539 | 2,978 | 1,465 | (120) | 85 |
| Medical | 69,474 | 82,004 | 45,630 | 53,635 | 45,547 | 53,332 | 33,195 | 38,587 |

⁷ Non-life or general insurance includes Fire, Property & Liability, Miscellaneous Financial Loss, Marine & Aviation, Motor, Engineering, Medical and Others.

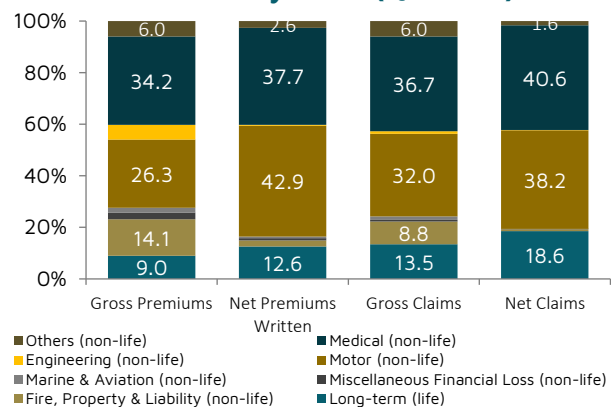
| | | | | | | | | |
|---------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|
| Others | 11,465 | 14,270 | 3,228 | 3,736 | 5,437 | 8,737 | 642 | 1,546 |
| Total | 217,460 | 239,438 | 129,942 | 142,430 | 133,304 | 145,138 | 88,436 | 95,063 |

Source: CBB.

The concentrations of premiums and claims by class are viewed in Graph 4.3:

Chart 4.41: Premiums and Claims of Insurance Sector by Segment (%) (Q3 2024)

Source: CBB.

Chart 4.42: Concentrations of Premiums and Claims for Insurance Firms by Class (Q3 2024)

Source: CBB.

4.3.1 Conventional Insurance Firms

Gross Premiums for conventional insurance recorded a YoY increase of 11.2%, increasing from BD 153.0 million in September 2023 to BD 170.2 million in September 2024 (Table 4.3). The greatest increase was from Medical insurance by around BD 9.4 million (22.1%). In terms of concentration, Medical, Motor, and Fire, Property & Liability business classes represented 30.5%, 26.2% and 16.0% respectively of the total gross premiums.

Net Premiums Written reflected a YoY increase by 9.2%. The Medical class had an increase of BD 5.4 million (20.1%). Motor, Long-term (Life) and Medical insurance remained the largest in terms of Net Premiums Written concentration, accounting for 43.6%, 17.2 % and 32.7%.

Gross Claims increased at YOY rate of 9.0% reaching BD 109.8 million in September 2024 from BD 100.7 million. The highest share in gross claims was Medical 33.9%, followed by Motor at 29.7%.

Net Claims experienced an annual increase of 10.2% from BD 61.6 million in September 2023, reaching BD 67.9 million in September 2024. Net claims for Medical insurance increased by BD 4.6 million (25.6%) and by BD 2.6 million (11.2%) for Motor insurance. The concentration falls heavily within the Medical and Motor insurance classes, accounting for 32.9% and 37.7%, respectively, of the total net claims.

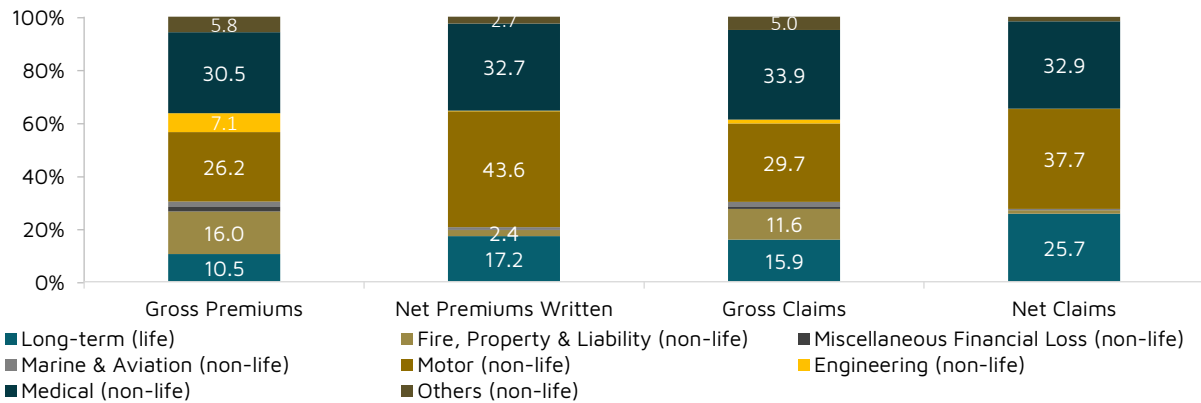
Table 4.22: Premiums and Claims for Conventional Insurance by Class

| BD 000 | Gross Premiums | | Net Premiums Written | | Gross Claims | | Net Claims | |
|------------------------------|----------------|----------------|----------------------|---------------|----------------|----------------|---------------|---------------|
| | Q3 2023 | Q3 2024 | Q3 2023 | Q3 2024 | Q3 2023 | Q3 2024 | Q3 2023 | Q3 2024 |
| Long-term (Life) | 18,776 | 17,822 | 17,113 | 17,032 | 18,740 | 17,441 | 17,545 | 17,453 |
| Fire, Property & Liability | 27,884 | | 3,000 | | 15,298 | | 2,687 | |
| Miscellaneous Financial Loss | 3,481 | 27,246 | | 2,383 | | 12,687 | | 911 |
| Marine & Aviation | | 2,893 | 310 | 165 | 716 | 856 | 74 | -2 |
| | 3,336 | | 889 | | 459 | | 135 | |
| | | 3,605 | | 881 | | 2,056 | | 295 |
| Motor | 40,979 | | 39,876 | | 29,064 | | 22,994 | |
| | | 44,553 | | 43,334 | | 32,573 | | 25,578 |
| Engineering | 8,349 | 12,157 | 145 | 348 | 2,548 | 1,527 | (216) | 121 |
| | 42,562 | | 27,064 | | 29,930 | | 17,796 | |
| Medical | | 51,949 | | 32,501 | | 37,176 | | 22,354 |
| Others | 7,710 | 9,943 | 2,488 | 2,636 | 3,993 | 5,463 | 596 | 1,200 |
| Total | 153,077 | 170,168 | 90,884 | 99,280 | 100,748 | 109,780 | 61,611 | 67,909 |

Source: CBB.

Medical had the highest exposure in Gross Premiums (30.5%) and Gross claims (33.9%). Whereas Motor insurance had the highest exposure in Net Premiums Written (43.6%) and Net Claims (37.7%).

Chart 4.43: Concentrations of Premiums and Claims for Conventional Insurance by Class (Q3 2024)



Source: CBB.

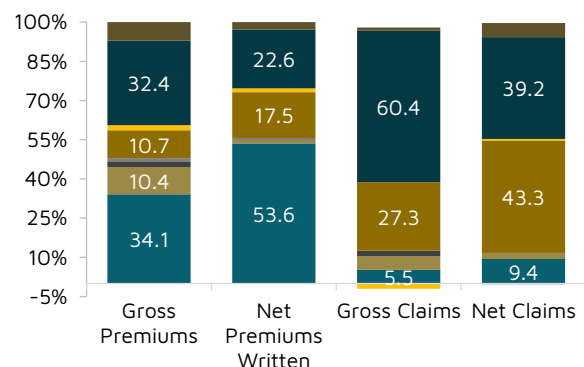
Table 4.4 below and Charts 4.5 and 4.6 shows a further division of the premiums and claims by class between Local and Overseas firms within the conventional insurance industry for September 2024.

Table 4.23: Premiums and Claims for Conventional Local and Overseas Insurance by Class (Q3 2024)

| BD '000 | Gross Premiums | | Net Premiums Written | | Gross Claims | | Net Claims | |
|------------------------------|----------------|---------------|----------------------|---------------|---------------|---------------|---------------|--------------|
| | Local | Overseas | Local | Overseas | Local | Overseas | Local | Overseas |
| Long-term (Life) | 6,172 | 11,649 | 6,076 | 10,956 | 16,747 | 694 | 16,719 | 734 |
| Fire, Property & Liability | 23,692 | 3,554 | 2,105 | 278 | 12,001 | 686 | 727 | 184 |
| Miscellaneous Financial Loss | 2,143 | 749 | 130 | 35 | 572 | 284 | (2) | - |
| Marine & Aviation | 3,198 | 407 | 773 | 108 | 2,078 | (22) | 321 | (27) |
| Motor | 40,908 | 3,645 | 39,754 | 3,579 | 29,106 | 3,467 | 22,200 | 3,378 |
| Engineering | 11,487 | 670 | 54 | 294 | 1,778 | (251) | 72 | 48 |
| Medical | 40,888 | 11,061 | 27,873 | 4,628 | 29,510 | 7,666 | 19,291 | 3,062 |
| Others | 7,531 | 2,413 | 2,072 | 564 | 5,297 | 165 | 772 | 428 |
| Total | 136,019 | 34,149 | 78,836 | 20,444 | 97,090 | 12,690 | 60,102 | 7,807 |

Source: CBB.

Chart 4.44: Concentrations of Premiums and Claims by Class for Local Insurance (Q3 2024)



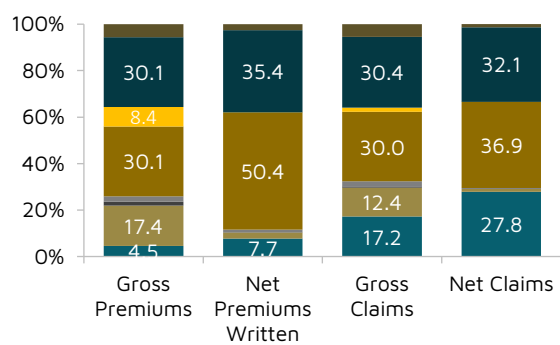


Chart 4.6: Concentrations of Premiums and Claims by Class for Overseas Insurance (Q3 2024)

Source: CBB

- Long-term (life)
- Marine & Aviation (non-life)
- Medical (non-life)
- Fire, Property & Liability (non-life)
- Motor (non-life)
- Others (non-life)
- Miscellaneous Financial Loss (non-life)
- Engineering (non-life)

4.3.2 Takaful Insurance Firms

The Gross Premiums for Takaful companies increased on a YoY basis by 7.6%, from BD 64.4 million at September 2023 reaching BD 69.3 million in September 2024. The largest increase was attributed to Medical insurance line increasing by BD 3.1 million (11.7%). Engineering had a decline of BD 0.4 million (19.9%). Medical insurance line was the highest contributor towards Takaful gross premiums, accounting for 43.4% of gross premiums.

Net Premiums Written increased by 10.5% from September 2023 to September 2024, reaching BD 43.2 million. Motor and Medical insurance accounted for the largest components in terms of Takaful net premiums written, representing 41.2% and 49.0% of the total Takaful net premiums written.

Gross Claims increased by 8.6% from September 2023 to September 2024, with Motor registering an increase of BD 2.7 million within the same period. Medical and Motor insurance accounted for the largest components in terms of gross claims, representing 45.7% and 39.2% of the total Takaful gross claims.

Net Claims recorded an annual increase of 1.2% in September 2024, with Medical insurance having an increase recorded at 5.4%. Furthermore, Medical and Motor represent the largest components of net claims, accounting for 59.8% and 39.7% of the total Takaful net claims.

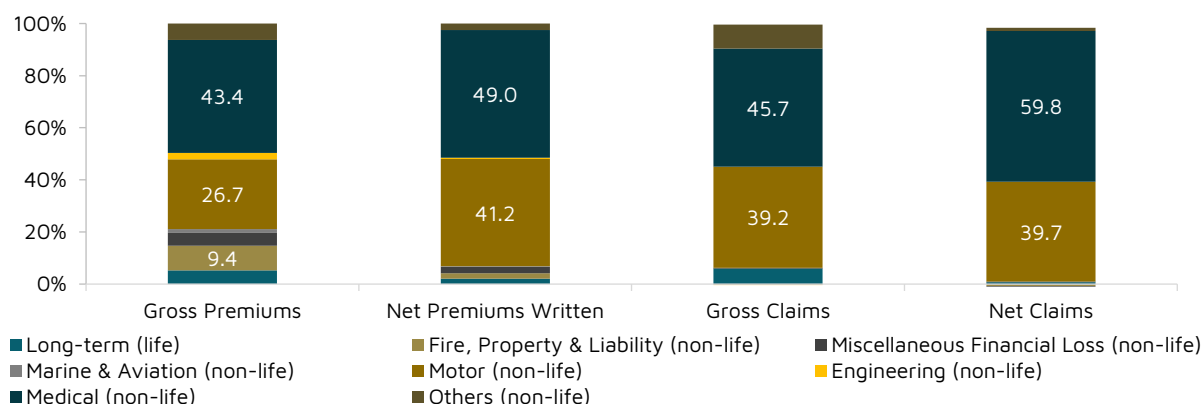
Table 4.24: Premiums and Claims by Class for Takaful Insurance Firms

| BD '000 | Gross Premiums | | Net Premiums Written | | Gross Claims | | Net Claims | |
|---------------------------------------|----------------|---------------|----------------------|---------------|---------------|---------------|---------------|---------------|
| | Q3 2023 | Q3 2024 | Q3 2023 | Q3 2024 | Q3 2023 | Q3 2024 | Q3 2023 | Q3 2024 |
| Long-term (Life) | 3,889 | 3,640 | 1,526 | 913 | 2,184 | 2,130 | 495 | 222 |
| Fire, Property & Liability | 6,468 | 6,538 | 852 | 901 | 1,530 | 26 | 231 | (210) |
| Miscellaneous Financial Loss | 2,762 | 3,404 | 263 | 1,044 | 97 | 59 | 18 | 41 |
| Marine & Aviation | 1,056 | 1,060 | 110 | 90 | 125 | (91) | 59 | (225) |
| Motor | 17,358 | 18,500 | 16,795 | 17,778 | 11,129 | 13,867 | 10,482 | 10,782 |
| Engineering | 2,181 | 1,747 | 205 | 191 | 430 | (62) | 96 | (36) |
| Medical | 26,913 | 30,055 | 18,567 | 21,134 | 15,618 | 16,156 | 15,398 | 16,233 |
| Others | 3,755 | 4,327 | 740 | 1,100 | 1,444 | 3,274 | 46 | 346 |
| Total | 64,383 | 69,270 | 39,058 | 43,150 | 32,557 | 35,358 | 26,825 | 27,153 |

Source: CBB.

Takaful insurance companies have very high concentration on the Medical and Motor Insurance business lines. Gross Premiums for both sectors combined represent (70.1%), Net Premiums Written (90.2%), Gross Claims (84.9%), and Net Claims (99.5%).

Chart 4.45: Concentrations of Premiums and Claims by Class for Takaful Insurance Firms (Q3 2024)



Source: CBB.

4.3.3 Retention Ratio and Loss Ratio (By Class)

Life insurance business line registered a retention ratio of 83.6% in September 2024. Observing the non-life insurance, Medical and Motor, that accounted for 60.6% of the total Gross Premiums in September 2024 respectively, registered retention ratios of 96.9% for Motor and 65.4% for Medical. Nevertheless, retention ratios were significantly lower for other business lines such as Fire, Property & Liability and Engineering, registering 9.7% and 3.9% respectively.

Table 4.25: Retention and Loss Ratios of Overall Insurance Sector

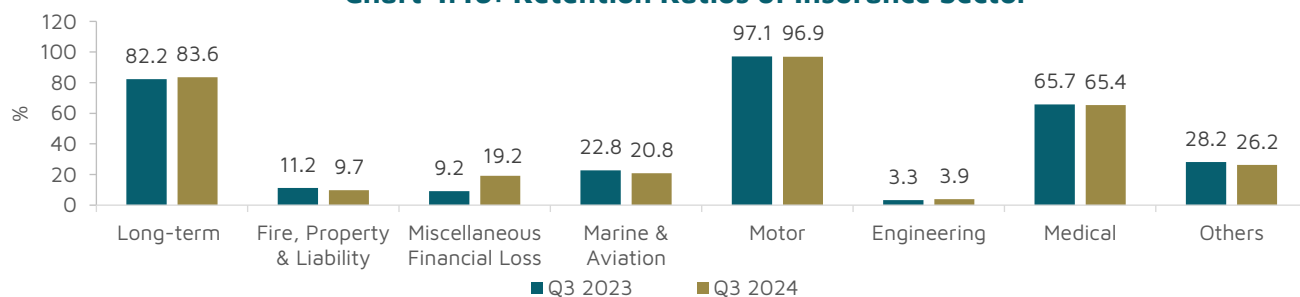
| % | Retention Ratio ¹ | | Loss Ratio ² | |
|---------------------------------------|------------------------------|---------|-------------------------|---------|
| | Q3 2023 | Q3 2024 | Q3 2023 | Q3 2024 |
| Long-term | 82.2% | 83.6% | 110.4% | 112.2% |
| Fire, Property & Liability | 11.2% | 9.7% | 70.0% | 20.5% |
| Miscellaneous Financial Loss | 9.2% | 19.2% | 11.5% | 2.9% |
| Marine & Aviation | 22.8% | 20.8% | 19.9% | 8.1% |
| Motor | 97.1% | 96.9% | 59.1% | 60.8% |
| Engineering | 3.3% | 3.9% | -27.3% | 21.6% |
| Medical | 65.7% | 65.4% | 78.9% | 83.4% |
| Others | 28.2% | 26.2% | 21.2% | 43.5% |

1. Net Premiums Written / Gross Premiums

2. Net Claims Incurred / Net Premiums Earned

Source: CBB.

Chart 4.46: Retention Ratios of Insurance Sector



Source: CBB.

4.4 Regulatory Changes, Market trends and Risks

The CBB has continued to take a proactive approach towards achieving its mandated objectives towards the Insurance Sector with consideration of all stakeholders. The below demonstrates the list of initiatives taken to further develop the market for the benefit of all stakeholders:

- The Regulatory Policy Unit is currently reviewing new guidance aimed at proactively safeguarding policy holders' rights by strengthening the Life and Unit-Linked insurance landscape in the Kingdom. The finalized version is expected to be issued soon.
- Reviewing and amending the prudential reports along with the related rules to reflect the implementation of International Financial Reporting Standards (IFRS 17).
- Maintaining continuous support through a Tamkeen program in enhancing the national skill set and providing for future initiatives in the area of actuarial studies by requiring firms to establish internal actuarial unit and mandating employing Bahrainis.
- Ensuring CBB's commitments of having fair and positive customer experience within the insurance industry, a directive has been issued to all insurance firms for enhancing the Compliance Function and Being Client Centric.
- Continuously working on achieving the objectives included in the Bahrain's Financial Sector Development Strategy 2022-2026 for the insurance sector.
- Actively seeking to advance local expertise within the insurance sector by making certain insurance courses mandatory for certain lines of business and making them levied.
- Actively promoted innovation and digital transformation through assisting Companies' compliance with the issued related directives.
- Promote awareness of insurance needs in order to enhance insurance literacy within the Kingdom.
- In partnership with the Bahrain Insurance Association "BIA", Bahrain Institute of Banking and Finance "BIBF" and the Labor Fund "Tamkeen", the CBB is working to train a group of graduates and unemployed Bahrainis by offering a training program, where the program will include intensive training for a period of six months, with opportunities for employment at the end of the program.



PAYMENT AND SETTLEMENT SYSTEMS, POINT OF SALE AND DIGITAL PAYMENTS

HIGHLIGHTS

H2 2024

| | | |
|--|--|--|
| RTGS Daily Average Volume 211 ▲ 7.1% YoY Value BD 433.0 mn ▼ 0.9% YoY | SSSS Aggregate Volume 46 ▲ 2.2 % YoY Value BD 2.9 bn ▲ 5.0% YoY | ATM Daily Average Volume 26,429 ▼ 16.1% YoY Value BD 2.9 mn ▼ 8.4% YoY |
| BCTS Daily Average Volume 7,437 ▼ 7.4% YoY Value BD 25.2 mn ▼ 7.9% YoY | Fawri + Daily Volume 1,181,46 ▲ 20.5 % YoY Value BD 23.4 mn ▲ 13.2% YoY | Fawri Daily Average Volume 52,914 ▲ 5.8% YoY Value BD 94.9 mn ▲ 10.7% YoY |
| Fawateer Daily Average Volume 49,888 ▼ 5.9% YoY Value BD 4.8 mn ▲ 10.0% YoY | POS Transactions Volume 114.6 ▲ 20.4% YoY Value BD 2.4 bn ▲ 14.6% YoY | |

- Daily average (volume and value) for ATM Transactions continued the decreasing trend for cash transactions by 16.1% and 8.4% compared to H2 2023.
- The daily average volume and value of cheques decreased by 7.4% and 7.9% respectively, over the same period.
- The daily average volume and value of Fawri+ Transactions rose by 20.5% and 13.2%, respectively, while Fawri Transactions increased by 5.8% and 10.7%, respectively, in H2 2024 in comparison to H2 2023.
- Daily average of volume of Fawateer Transactions decreased by 5.9% while the daily average of value of Fawateer Transactions increased by 10.0% in H2 2024 in comparison to H2 2023.

- POS and Ecommerce transactions (volume and value) increased by 20.4% and 14.6% respectively in H2 2024.

5.1 Overview

The payment landscape has transitioned from traditional systems to digital alternatives, with new technologies addressing consumer and market dynamics, supporting the drive towards greater autonomy, interoperability and flexibility. As a regulator and facilitator, the CBB has supported the introduction and structured development of advanced payment systems, fostering the growing digitalization of the financial sector. In the Kingdom of Bahrain and globally, the pandemic served as a catalyst to accelerate the shift towards digital payments as consumer preferences moved towards contactless options.

Financial Market Infrastructures (FMIs) and Payment and Settlement Systems are vital for the smooth operation of the financial sector and the efficient functioning of the overall economy, forming a crucial part of the country's financial infrastructure.

The CBB operates, manages, and oversees the national Payment and Settlement Systems in the Kingdom of Bahrain. The overseers play a pivotal and crucial role in overseeing the National Payment Systems in the Kingdom of Bahrain⁸. Additionally, the CBB assesses all FMIs and Payment and Settlement Systems for compliance with the requirements set by the Principles for Financial Market Infrastructures (PFMI), including Principles for Operational Resilience, the CBB Law and CBB's Directives.

Point of Sale (POS) terminals, E-Commerce and digital payments are other methods that enhance a customer's payment experience in Bahrain by providing payment solutions that support international and domestic payment schemes. Several digital wallets are established in Bahrain's FinTech ecosystem that offer various payment solutions. Seamless contactless and digital payments transactions are projected to be the prominent payment methods in the future.

⁸ CBB operates the Real Time Gross Settlement System (RTGS) and the Scripless Securities Settlement System (SSSS), whereas BENEFIT operates the ATM Clearing System (ATM), the Bahrain Cheque Truncation System (BCTS) and the Electronic Fund Transfer System (EFTS) including the Electronic Bill Presentment and Payment (EBPP) System on behalf of CBB.

Bahrain is repositioning itself to be a Financial Technology (FinTech) hub in the region offering conventional and Shariah compliant FinTech solutions. The Kingdom is encouraging digital transformation and the adoption of innovative technology to create a more efficient financial services sector and achieve higher financial inclusion. CBB seeks to make the Kingdom of Bahrain a key player in FinTech through the availability of (1) innovative financial solutions, (2) highly qualified national talent in finance and banking, and (3) access to supportive policies.

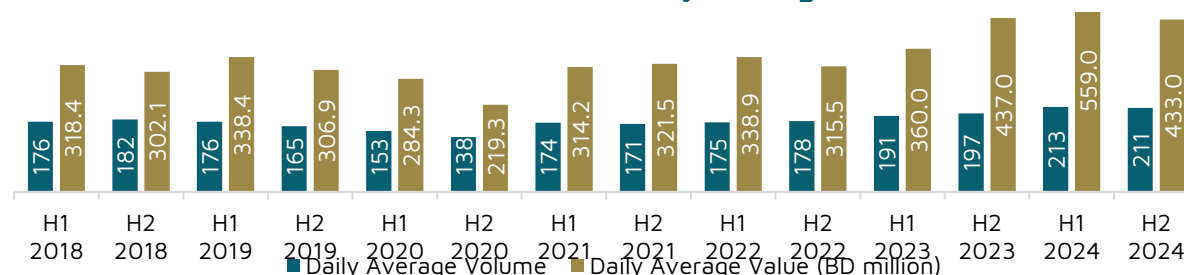
This chapter describes recent trends in FMs, Payment and Settlement Systems, POS, and digital wallet transactions. The chapter also shows the recent trends and developments in the FinTech industry and Financial Inclusion within the Kingdom and highlight initiatives taken by CBB and other industry players within the Kingdom.

5.2 Real Time Gross Settlement System (RTGS)

The CBB operates and oversees the Real Time Gross Settlement (RTGS) System, which processes and settles all inter-bank payments in real-time on-line mode. The System went live on the 14th of June 2007. The RTGS System provides for Payment and Settlement of Customer transactions as a value addition and enables the Banks to have real-time information on, for example, account balances, used and available intra-day credit, queue status, transaction status, etc. It is multi-currency capable and based on Straight Through Processing (STP). There are thirty-two (32) Direct Participants in the RTGS, including the CBB.

In H2 2024, total RTGS Bank Transactions reached 26,590 in volume and BD 54,561.2 million in value, showing an increase of 8.2% in volume whereas a slight decrease of 0.04%, in value in comparison to H2 2023.⁹

Chart 5.1: RTGS Bank Transfers Daily Average Volume and Value



Source: CBB.

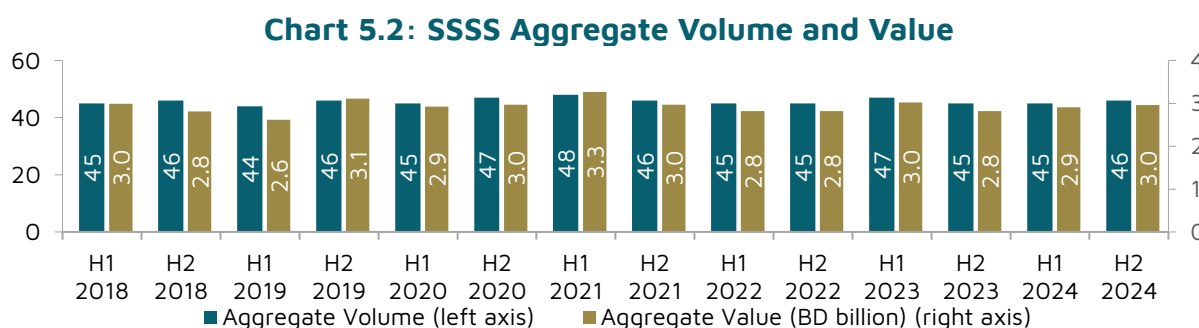
The daily average volume of Bank Transfers for H2 2024 increased by 7.1% from 197 to 211 Transfers when compared to H2 2023. In addition, the daily average value of Bank Transfers for H2 2024 had decreased slightly by 0.9% from BD 437.0 million to BD 433.0 million when compared with H2 2023.

⁹ H1 data is from 1st January until 30th June; H2 data is from 1st July to 31st December.

5.3 Scripless Securities Settlement System (SSSS)

CBB operates and oversees Scripless Securities Settlement System (SSSS) that provides the Depository and Settlement Services for holdings and transactions in Government Securities including Treasury Bills (T-Bills), Governments Bonds and Islamic Securities (Sukuk). Moreover, the SSSS went live on 14th June 2007 along with the RTGS System. The number of direct participants is thirty (30) participants whereas the indirect participants are twenty-six (26) members in the SSSS.

The volume of issues increased from 45 to 46 issues in H2 2024 in comparison to H2 2023. The aggregate value of issues in H2 2024 increased from BD 2.8 billion to BD 3.0 billion in comparison to H2 2023.



Source: CBB.

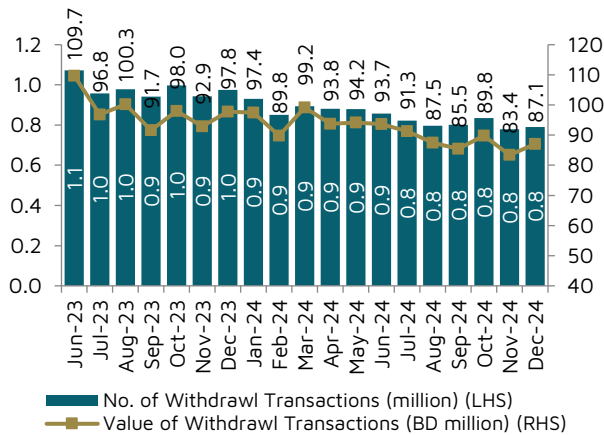
The volume of issues remained within the normal range, posing no additional burden on the System's processing capacity. The risk of significant participant failure is minimised by executing and settling transactions in the Real Time Gross Settlement (RTGS) System.

The SSSS continued to operate smoothly and efficiently during the period from 1st July 2024 to 31st December 2024.

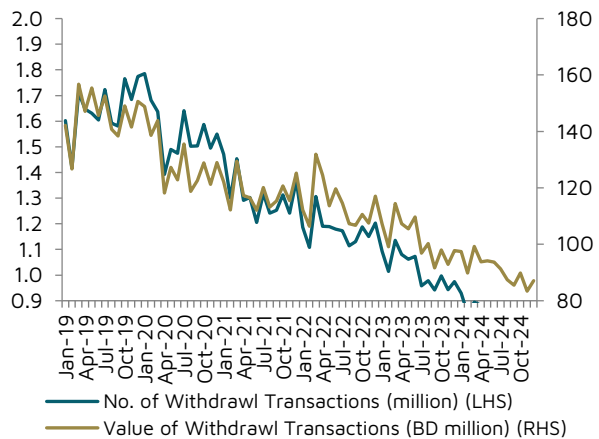
5.4 ATM Clearing System (ATM)

ATM clearing is based on a Deferred Net Settlement (DNS) system. The Benefit Company (BENEFIT) in Bahrain receives and processes all the ATM transactions. The GCC net, a leased line network across the GCC countries, provides for the communication backbone for the transmission of all the ATM Transactions and settlement related electronic messages.

Total ATM transactions in H2 2024 reached 4.8 million in terms of volume and BD 524.5 million in terms of value indicating a 16.8% and 9.2% decrease respectively since H2 2023. Overall, there is a continued downward trend in both the value and the volume of ATM transactions (Chart 8.5). In H2 2024, monthly volume of ATM transactions ranged between 0.8 and 1.1 million transactions while the value of ATM transactions ranged between BD 83.4 million and BD 109.7 million.

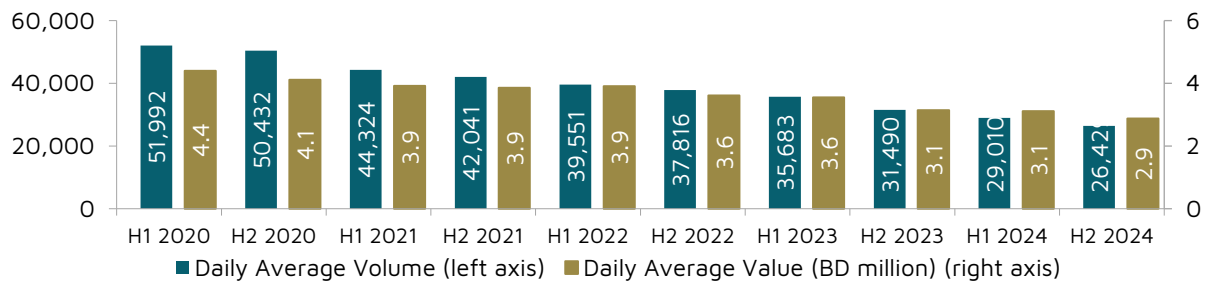
Chart 5.3: Number and Value of ATM Transactions, June 2023 – Dec 2024

Source: BENEFIT.

Chart 5.4: Number and Value of ATM Transactions

Source: BENEFIT.

The daily average volume of ATM Transactions for H2 2024 reached 26,429 transactions per day (a 8.9% decrease compared to H1 2024 and 16.1 % decrease compared to H2 2023). The daily average value of ATM Transactions for H2 2024 reached BD 2.9 million (a 7.7% decrease compared to H1 2024 and 8.4% decrease compared to H2 2023).

Chart 5.5: ATM Transactions Daily Average and Volume*

Source: BENEFIT.

* Local Debit Cards Only.

5.5 Bahrain Cheque Truncation System (BCTS)

Cheques remain one of the most popular instruments among retail and corporate customers. As part of the CBB's vision to replace the paper-based Automated Cheque Clearing System, the Bahrain Cheque Truncation System (BCTS) began operations in cooperation with the BENEFIT Company (BENEFIT) on 13th May, 2012. The BCTS, operated by BENEFIT and overseen by the CBB which includes thirty (30) Participants.

In H2 2024, the total volume of cheques decreased by 6.6% compared to H2 2023, reaching 937,027 cheques, while the total value of cheques decreased by 7.2% to BD 3,175.9 million.

The daily average volume of cheques for H2 2024 decreased by 7.4% from 8,029 cheques in H2 2023 to 7,437 cheques. Furthermore, the daily average value of cheques decreased in H2 2024 by 7.9% reaching to BD 25.2 million in comparison to BD 27.4 million for H2 2023.

The BCTS continued to operate smoothly and efficiently, demonstrating its steadiness, from 1st July, 2024 to 31st December, 2024. Charts 8.7 and 8.8 illustrate the volume and value of cheques and the percentage of returned cheques to the total volume and value. Between Q3, 2024 and Q4, 2024, returned cheques remained at 2.4% of the total volume, while the value increased from 3.2% to 3.6% of the total value.

Chart 5.6: BCTS Daily Average Volume and Value

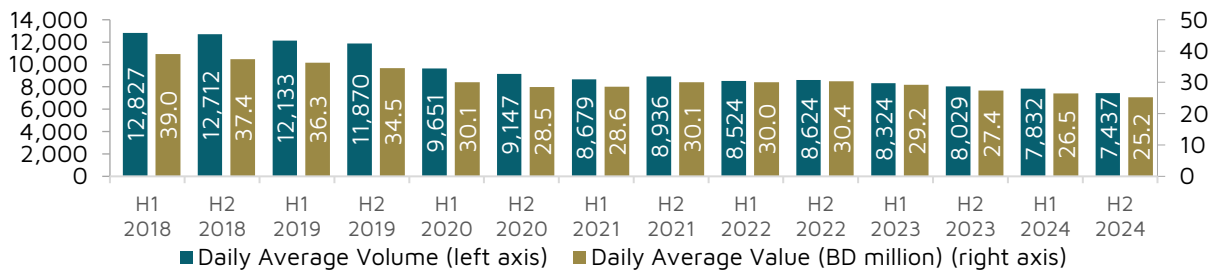
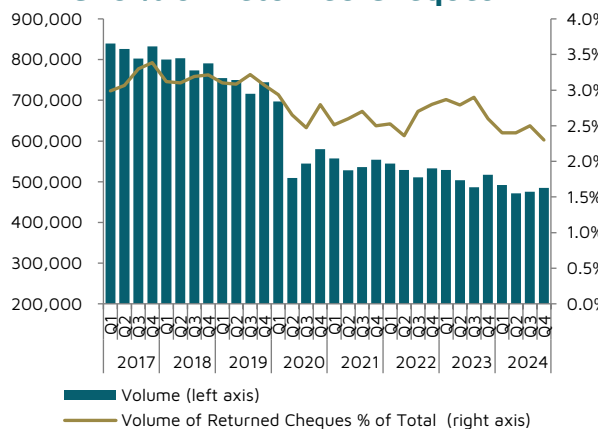
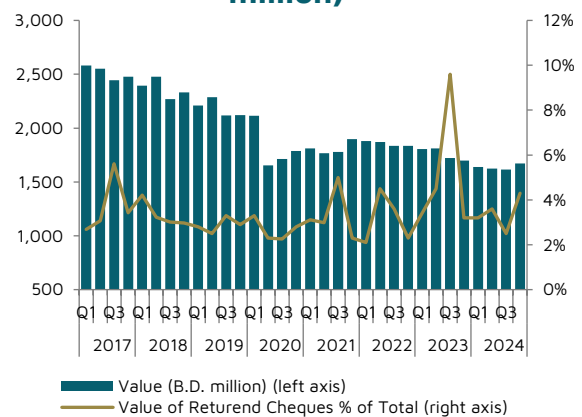


Chart 5.7: Volume of Issued Cheques and % of Returned Cheques



Source: BENEFIT.

Chart 5.8: Value of Issued Cheques and % of Returned Cheques (BD million)



Source: BENEFIT.

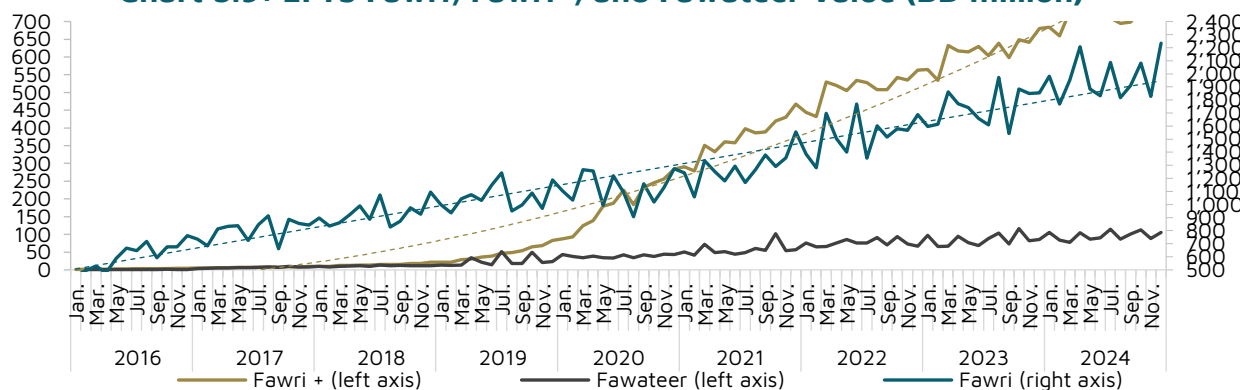
5.6 Electronic Fund Transfer System (EFTS) including Electronic Bill Presentment and Payment (EBPP) System

With the introduction of International Bank Account Number (IBAN) in January 2012, transfers became easier, less time-consuming, and more secure for both Customers and Banks. The Electronic Fund Transfer System (EFTS) was launched on 5th November 2015 and the Electronic Bill Presentment and Payment (EBPP) System was launched on the 3rd October 2016, operated by the Benefit Company (BENEFIT) and overseen by CBB. The EFTS including EBPP is an electronic system that interconnects all Retail Banks in Bahrain with each other and major billers in the Kingdom to enhance the efficiency of fund transfers and bill payments promoting a more proactive and forward-thinking Banking sector.

The Kingdom of Bahrain took a step forward in line with the global trend of going cashless by introducing the EFTS that enabled electronic fund transfers within Bahrain with three (3) Services: Fawri+ Fawri and Fawateer. Fawri+ and Fawri provide Fund Transfers Service to individuals and corporates, where Fawateer provides Real-Time Bill Payments offering the public easier access and faster processes. The number of participants offering outward EFTS Services has reached twenty-five (25) Participants.

Chart 8.9 shows an overall increasing trend in the monthly transfers in Fawri+, Fawri and Fawateer. The total value of Fawri+ Transfers reached BD 4,314.8 million for H2 2024 increasing by 13.2% compared to H2 2023. The total value of Fawri transfers increased by 11.6% for H2 2024 reaching BD 11,958.5 million compared to H2 2023. In addition, the value of Fawateer Payments increased by 10.9% from 549.3 million in H2 2023 to BD 608.9 million in H2 2024.

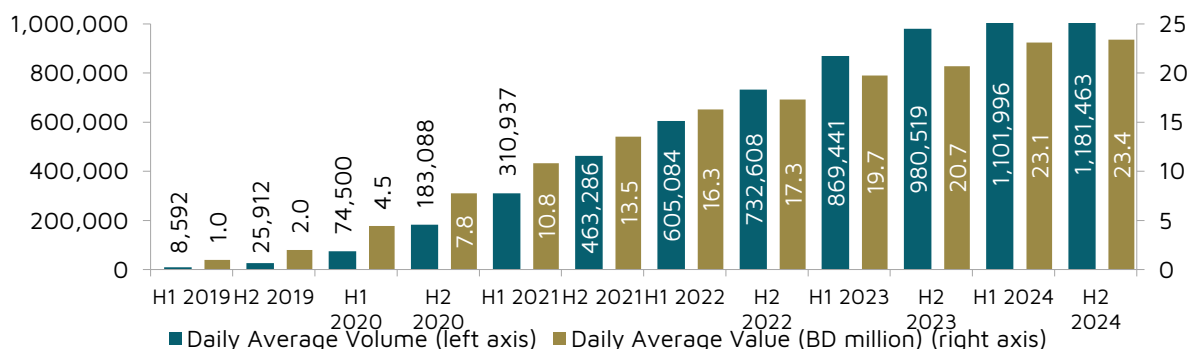
Chart 5.9: EFTS Fawri, Fawri+, and Fawateer Value (BD million)



Source: BENEFIT.

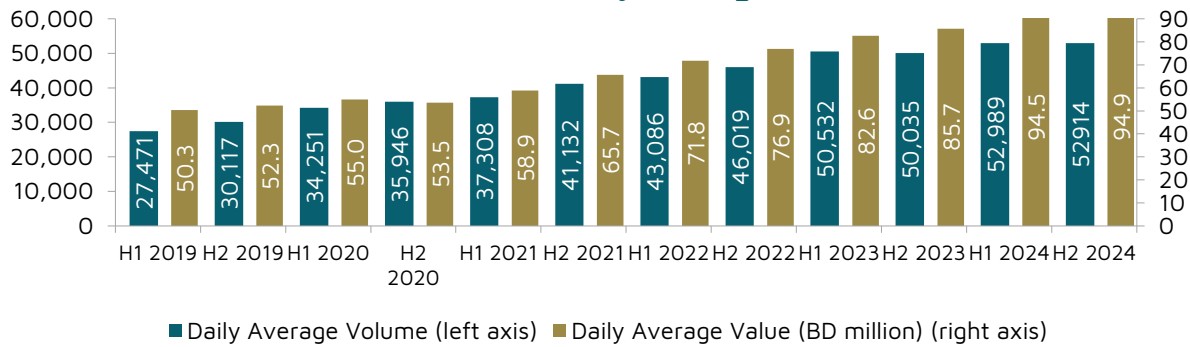
The daily average volume of Fawri+ Transfers of H2 2024 when compared to H2 2023 increased by 20.5% from 980,519 transfers to 1,181,463 transfers. The daily average value of Fawri+ Transfers increased by 13.2% in H2 2024 when compared to H2 2023 from BD 20.7 million to BD 23.4 million.

Chart 5.10: EFTS Fawri+ Daily Average Volume and Value



Source: BENEFIT.

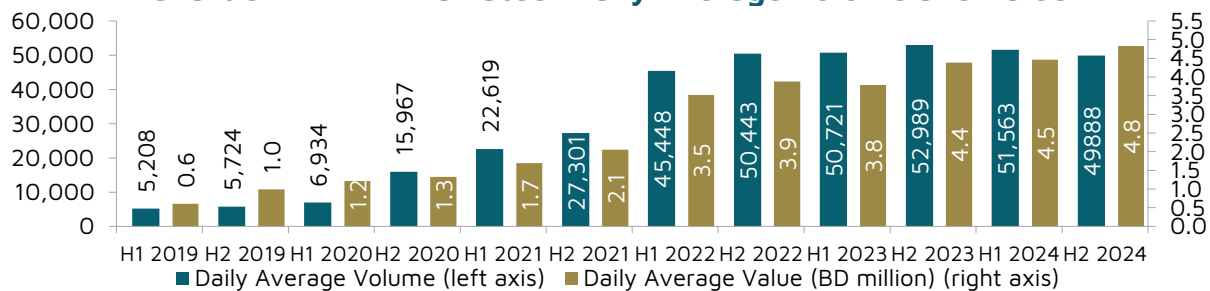
The daily average volume of Fawri transfers in H2 2024 increased by 5.8% from 50,035 Transfers in H2 2023 to 52,914 Transfers. In addition, the daily average value of Fawri Transfers increased by 10.7% in H2 2024, from BD 85.7 million in H2 2023 to BD 94.9 million in H2 2024.

Chart 5.11: EFTS Fawri Daily Average Volume and Value

Source: BENEFIT.

The daily average volume of Fawateer Payments for the second half of 2024 decreased by 5.9% from 52,989 payments in H2 2023 to 49,888 payments in H2 2024. Whereas, the daily average value of Fawateer reached BD 4.8 million in H2 2024 increasing by 10.0% compared to BD 4.4 million in H2 2023.

The EFTS, including EBPP continued to operate in a safe, efficient, resilient and reliable manner from 1st July 2024 to 31st December 2024. CBB continues to assess the EFTS including EBPP in terms of compliance with the requirements set by the Principles for Financial Market Infrastructures (PFMI), CBB Law and CBB's Directives, etc.

Chart 5.12: EBPP Fawateer Daily Average Volume and Value

Source: BENEFIT.

5.7 Point of Sale (POS) and E-Commerce

POS transactions in Bahrain continued to show a steady increase in both in volume and value, an indicator of strong business and economic activity within the Kingdom. POS terminals create a seamless payment experience for customers by helping in achieving higher financial inclusion. The total number of transactions for 2024 reached 217.7 million transactions (18.4% YoY increase). Similarly, the total value of transactions for 2024 increased to BD 4,665.5 million (12.4% YoY increase).

Table 5.1: Point of Sale (POS) and E-Commerce Transactions in Bahrain

| Volume of transactions (million) | | | | Value of transactions (BD million) | | |
|----------------------------------|-------------------------|------------------------------|--------------|------------------------------------|------------------------------|----------------|
| | Cards issued in Bahrain | Cards issued outside Bahrain | Total | Cards issued in Bahrain | Cards issued outside Bahrain | Total |
| 2021 | 109.5 | 16.0 | 125.5 | 2,707.2 | 444.0 | 3,151.2 |
| 2022 | 132.1 | 30.7 | 162.8 | 3,090.8 | 753.8 | 3,844.6 |
| 2023 | 147.6 | 36.3 | 183.9 | 3,273.9 | 875.7 | 4,149.6 |
| 2024 | 177.2 | 40.5 | 217.7 | 3,731.1 | 934.4 | 4,665.5 |
| 2023 H1 | 71.6 | 17.1 | 88.7 | 1,634.6 | 398.3 | 2,032.8 |
| H2 | 76.0 | 19.2 | 95.2 | 1,639.4 | 477.4 | 2,116.8 |
| 2024 H1 | 83.7 | 19.4 | 103.2 | 1,769.5 | 469.8 | 2,239.3 |
| H2 | 93.5 | 21.1 | 114.6 | 1,961.6 | 464.6 | 2,226.2 |

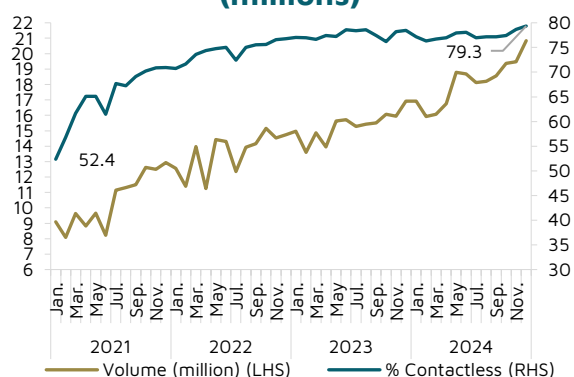
Source: CBB.

The total number of transactions for H2 2024 reached 114.6 million transactions (20.4% increase compared to H2 2023). Similarly, the total value of transactions for H2 2024 increased to BD 2,226.2 million (5.2% increase compared to H2 2023). Both the volume and value of cards issues in Bahrain had increased by 23.0% and 19.6% respectively in H2 2024 compared to H2 2023. The volume and value of transactions by cards issued outside Bahrain showed an increase of 10.0% and 19.6% respectively over the same period.

Chart 0.13 shows the monthly POS Transactions in terms of volume and value which can help identify any cyclical behavior over the long run. The continued increase in POS transactions in H2 2024 shows the continued trend of people preferring to make direct payments to merchants through POS terminals instead of ATM/Cash withdrawals.

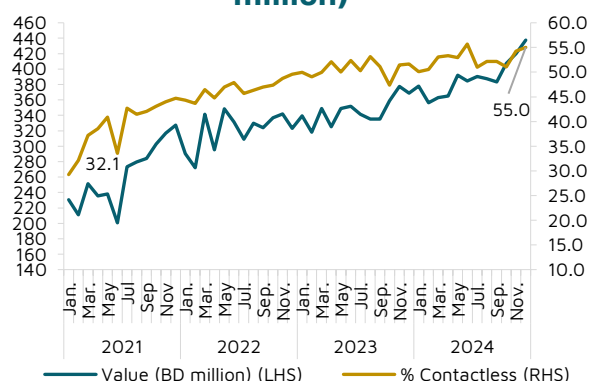
Contactless adoption continues to accelerate in the Kingdom due to the change in consumer spending habits. The percentage of contactless transactions in terms of volume increased from 52.4% in January 2021 to 79.3% in December 2024. Similarly, in terms of value, the percentage of contactless transactions increased from 32.1% in January 2021 to 55.0% in December 2024.

Chart 5.13: Volume of Monthly POS and E-Commerce Transactions (millions)



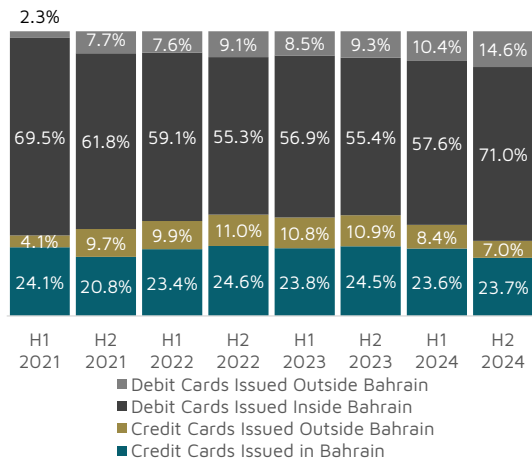
Source: CBB.

Chart 5.14: Value of Monthly POS and E-Commerce Transactions (BD million)

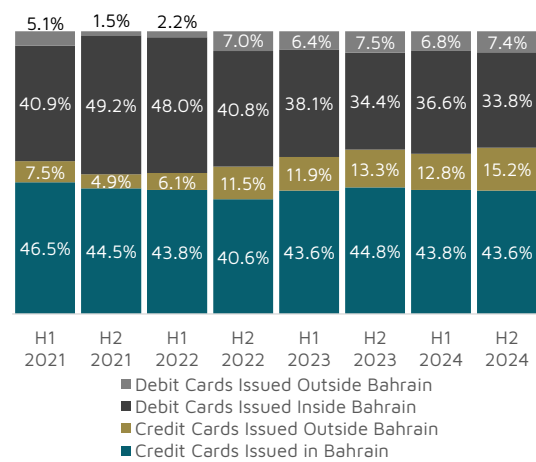


Source: CBB.

As of H2 2024, 94.7% of the volume of transactions and 93.3% of the value of transactions came from cards issued inside Bahrain (Chart 0.15 and Chart 0.17). The increase in share of cards issued outside Bahrain which is noticeable from H2 2021 is due to increase in number of foreigners visiting Bahrain. The volume of transactions remained to be from debit cards (representing 85.6% in H2 2024) while most of the value of transactions were from credit cards (representing 60.5% in H2 2024).

Chart 5.15: Volume of POS and E-Commerce Transactions (% by Card Type)

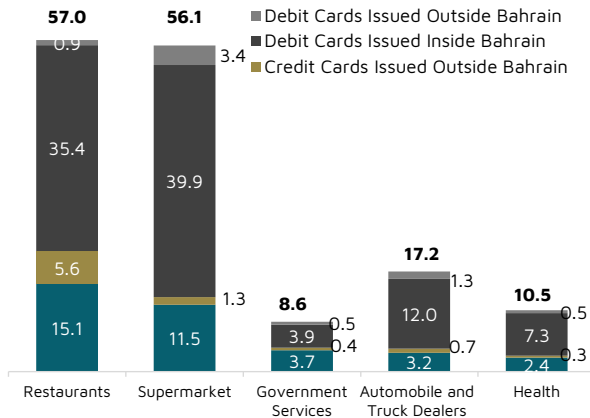
Source: CBB.

Chart 5.16: Value of POS and E-Commerce Transactions (% by Card Type)

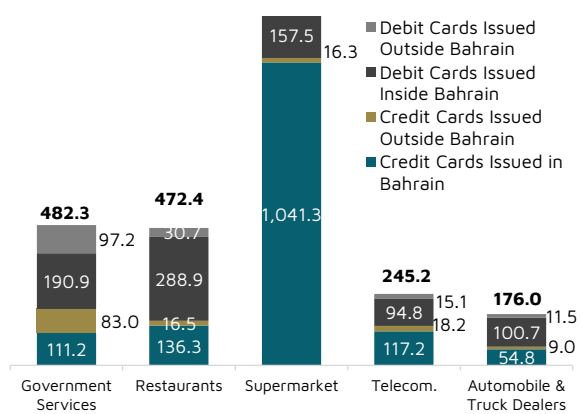
Source: CBB.

Charts 8.19 and 8.20 show the top 5 sectors in terms of volume and value of transactions for 2024. In terms of volume the top 5 sectors represented 68.6% of all the transactions for 2024 and were: restaurants (57.0 million), supermarkets (56.1 million), government services (8.6 million), automobiles and truck dealers (17.2 million), and health (10.5 million). Most of the number of transactions for the restaurants, supermarket, government services, automobiles and Health were made using debit cards issued inside Bahrain making 62.1%, 71.1%, 45.9%, 69.6% and 69.4% of the transactions respectively.

In terms of value, the top 5 sectors represented 55.7% of all transactions and were: supermarkets (BD 1,221.8 million), government services (BD 482.3 million), restaurants (BD 472.4 million), telecommunications (BD 245.2 million), automobile dealers (BD 176.0 million). For government services and automobile dealers, 23.1% and 31.1% of the value of transactions respectively were made by credit cards issued inside Bahrain. As for restaurants, telecommunication, and supermarkets, 61.2%, 12.9%, and 38.7% of the value of transactions respectively were made by debit cards issued inside Bahrain.

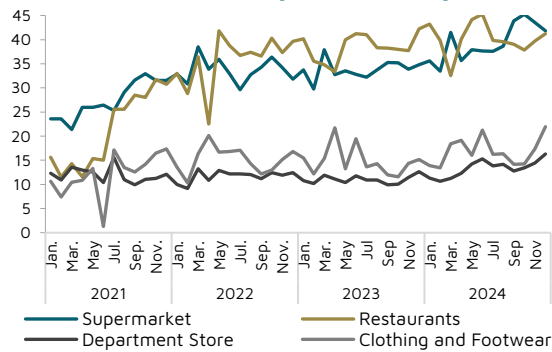
Chart 5.17: Top 5 Sectors by Volume of POS and E-Commerce – 2024 (million)

Source: CBB.

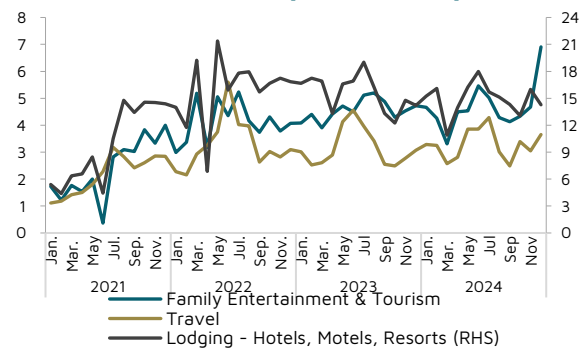
Chart 5.18: Top 5 Sectors by Value of POS and E-Commerce – 2024 (BD million)

Source: CBB.

Charts 8.19 and 8.20 show the monthly value of POS transactions from January 2021 to Dec 2024 for selected sectors.

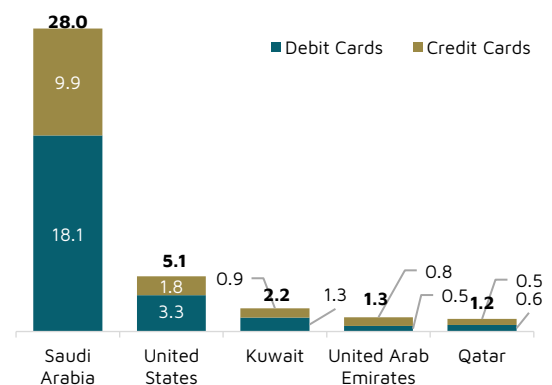
Chart 5.19: Monthly Value of POS and E-Commerce of Selected Indicators (BD million)

Source: CBB.

Chart 5.20: Monthly Value of POS and E-Commerce of Selected Indicators (BD million)

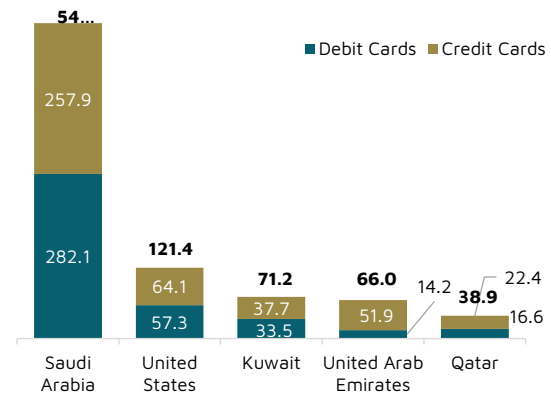
Source: CBB.

Charts 0.21 and 0.22 show the top 5 countries in terms of volume and value of foreign transactions for 2024. In terms of volume the top 5 countries represented 92.5% of total foreign transactions and were: Saudi Arabia (28.0 million), United States (5.1 million), Kuwait (2.2 million), United Arab Emirates (1.3 million), and Qatar (1.2 million).

Chart 5.21: Top 5 Nationalities by Volume of POS and E-Commerce – 2024 (million)

Source: CBB.

Chart 5.22: Top 5 Sectors by Value of POS and E-Commerce –2024 (BD million)



Source: CBB.

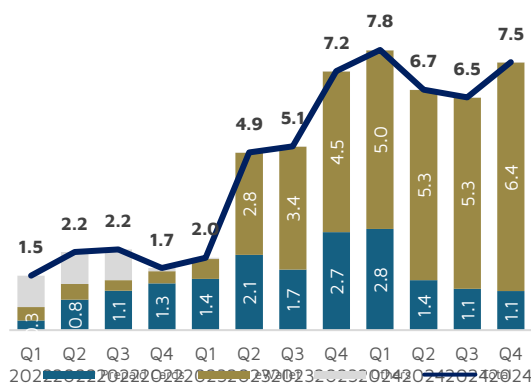
In terms of value, the top 5 countries represented 87.5% of the total value of foreign transaction and were: Saudi Arabia (BD 540.1 million), United States (BD 121.4 million), Kuwait (BD 71.2 million), United Arab Emirates (BD 66.0 million), and Qatar (BD 38.9 million).

5.8 Prepaid Cards and E-Wallets

Bahrain's appetite for digital payments is growing where significant steps have been made in realizing the nation's vision to become a technology pioneer. The Kingdom has been working towards a successful digital economy by building a proper ecosystem that provides a network of connected entities from CBB to banks, to telecommunication companies, to merchants and consumers.

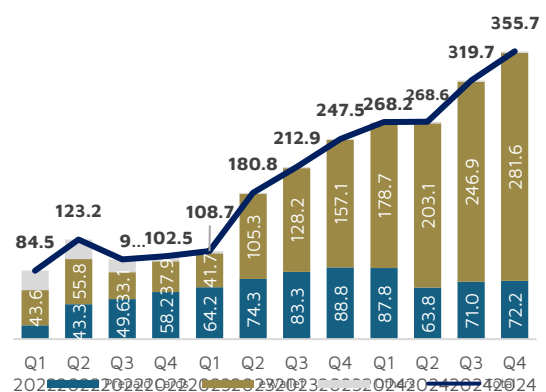
Digital wallets transactions through (prepaid wallets and e-wallets) has been increasing significantly as provided in Charts 8.23 and 8.24, with an increasing trend in both the volume and value of transactions, indicating the continued success of adoption of these digital solutions.

Chart 5.23: Volume of Prepaid and E-Wallet Transactions (millions)



Source: CBB.

Chart 5.24: Value of Prepaid and E-Wallet Transactions (BD millions)



Source: CBB.



FINTECH, INNOVATION AND FINANCIAL INCLUSION

HIGHLIGHTS

| | | |
|--|--|---|
| Regulatory Sandbox 21 Companies | Bank Branches 129 | Number of ATMS 434 |
| Number of ATM 2.22 million | Number of Debit 1.97 million | Number of Credit Cards 343.6 thousand |

- Bahrain's established financial services industry, its role as a leading finance hub, and the national drive for financial inclusion are supporting the growth of FinTech.
- CBB's continues its initiatives on regulatory reforms to encourage innovation within the financial services sector via the use of FinTech solutions, supervising and overseeing the progress of companies participating in the Regulatory Sandbox and monitoring technical and regulatory developments within the FinTech field.
- Continued FinTech developments within the Kingdom in Open Banking, e-KYC, and contactless payments.

6.1 Overview

Bahrain is repositioning itself to be a Financial Technology (FinTech) hub in the region offering conventional and Shariah compliant FinTech solutions. The Kingdom is encouraging digital transformation and the adoption of innovative technology to create a more efficient financial services sector and achieve higher financial inclusion. CBB seeks to make the Kingdom of Bahrain a key player in FinTech through the availability of (1) innovative financial solutions, (2) highly qualified national talent in finance and banking, and (3) access to supportive policies. The aim of the chapter is to show the recent trends and developments in the FinTech industry and Financial Inclusion within the Kingdom and highlight initiatives taken by CBB and other industry players within the Kingdom.

6.2 FinTech Developments

The CBB has developed its digital transformation strategy with a vision to develop projects that introduce the latest electronic payment and settlement products and FinTech projects facilitating more efficient provision of banking services. The digital transformation initiatives also focus on working with financial institutions to encourage and accelerate their transition

with technological developments in line with international best practices to ultimately benefit the national economy. The CBB established a FinTech & Innovation Unit in October 2017, to ensure an adequate regulatory framework is in place to adapt FinTech solutions that will enhance services provided to individual and corporate customers.

6.2.1 Regulatory Sandbox

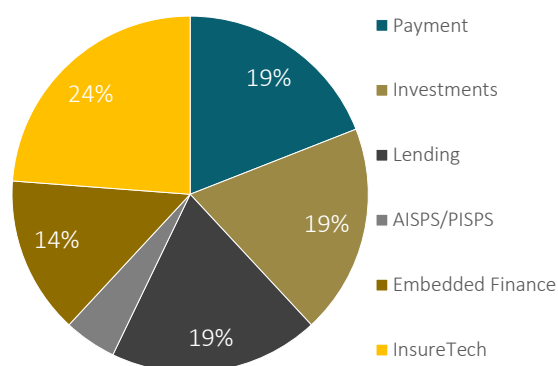
CBB launched a regulatory sandbox in June 2017 to attract both local and international emerging FinTech companies as well as existing CBB licensees to enable them to test their innovative ideas and expand their business in the region.¹⁰ The sandbox provides authorized companies with the opportunity to test and experiment their innovative financial solutions freely until they are commercially viable. The Sandbox focuses on the following Innovation, Customer benefit, Identification of Major Risks, Compliance with CDD and AML/CFT Requirements, and Confidentiality Requirements.

The FinTech Unit is responsible for 1) the approval process to participate in the Regulatory Sandbox 2) supervision of the activities and operations of the authorized Regulatory Sandbox companies' and 3) monitoring technical and regulatory developments in the FinTech field which will allow industry players to apply innovative products while maintaining the overall safety and soundness of the financial system 4) collaborate with other regulators and policy makers to exchange ideas, share experiences and learnings.

The CBB announced its new Regulatory Sandbox Framework in December 2021 to allow FinTech firms to test and experiment with their ideas and solutions related to the sector in a more efficient and effective environment. The new Framework enhances the eligibility criteria for participation in the Regulatory Sandbox, as well as streamlines the entire Sandbox process to ensure a more phased and consistent approach to support testing.

The Sandbox has gained significant interest from local, regional and global start-ups and a number of companies have successfully completed testing their solutions. As of end December 2023, CBB had 21 companies testing their solutions within the Regulatory Sandbox with a wide range of solutions.

Chart 6.25: Regulatory Sandbox Statistics- Company Types (%)



| | |
|-----------------------------------|---|
| Payment | <ul style="list-style-type: none"> Digitizing Payment Workflow. Providing cashless and automated payments. |
| AISPs/PISPs | <ul style="list-style-type: none"> Aggregates end-user's financial information into single interface Payment service providers. |
| Investments and Wealth Management | <ul style="list-style-type: none"> Provides holistic financial advice. Aims to increase investments returns/value. |
| Embedded Finance | <ul style="list-style-type: none"> Provides financial services through non-financial products. Offered by non-financial firms. |
| Lending | <ul style="list-style-type: none"> Streamlines and automates lending process. Includes short-term financing. |
| Insurance Tech | <ul style="list-style-type: none"> Aggregates insurance products Customizes insurance coverages. |

¹⁰ A Regulatory Sandbox (Sandbox) is a framework and process that facilitates the development of the FinTech industry in a calculated way. It is defined as a safe space in which businesses can test innovative products, services, business models and delivery mechanisms without immediately incurring all the normal regulatory and financial consequences of engaging in the activity in question.

Table 6.2: Regulatory Sandbox Statistics- Classification by Region

| Region | No. of Sandbox Companies |
|-----------------------------|--------------------------|
| Bahrain | 11 |
| Saudi | 7 |
| United Arab Emirates | 2 |
| United Kingdom | 1 |
| Total | 21 |

6.2.2 The Arabian Gulf System for Financial Automated Quick Payment Transfer (AFAQ)

The Arabian Gulf System for financial Automated Quick Payment Transfer (AFAQ) is a Real Time Gross Settlement service for cross-currency cross-border payments between GCC countries. The system is operated by the Gulf payment Company (GPC), which is owned and funded by the GCC central Banks including the CBB.

The AFAQ cross-currency service allows its participants to transfer payments from one local currency to another local currency in real time within the business day schedule. The service was launched on 10th December 2020 with the CBB and Saudi Central Bank (SAMA) as its first participants, followed by the Central Bank of Kuwait onboarding in March 2022, afterwards the Central Bank of UAE joined the service in December 2023, and the Central Bank of Oman onboarded the service in May 2024. Furthermore, the CBB has successfully onboarded all its Retail Banks during the Year 2022, becoming the first central bank in the GCC to accomplish this milestone.

During 2024, the total number of outgoing retail transactions sent through AFAQ was 39,617 transactions with a total value of BHD 600 million. On average the monthly outgoing retail payments volume is 3,302 transactions at an average value of BHD 50 million.

6.3 Financial Inclusion

Financial inclusion refers to individuals, irrespective of income level, and businesses having access to useful and affordable financial products and services to meet their needs (through transactions, payments, savings, credit, and insurance). These products and services have to be delivered in a responsible and sustainable way. The importance of financial inclusion comes in facilitating access to financial services to improve the standards of living and economic growth.

Financial inclusion efforts in Bahrain aim to ensure that all businesses and households, have access the suitable financial services they need to engage in day-to-day transactions. CBB is taking a number of initiatives to further develop indicators related to financial inclusion. Figures show access to finance through a number of financial inclusion metrics (Table 9.2). The number of accounts within retail banks and the number of internet/PC linked accounts decreased by 2.9% YoY and 3.8% YoY in 2024 respectively.

CBB is continuing its efforts to prioritize financial inclusion in terms of adopting and implementing a viable national strategy to 1) improving women's, SME, and young people's access to financial services 2) promoting the protection of consumers of financial services 3) improving and providing financial coverage data and statistics to support policy development, and 4) promoting awareness and financial education.

Table 6.3: Financial Inclusion Figures for the Kingdom of Bahrain

| Indicator | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Number of Banks * | 29 | 29 | 29 | 29 | 29 | 30 | 25 |
| Number of Branches | 173 | 204 | 175 | 151 | 148 | 134 | 129 |
| Number of Branches per 100,000 in population | 11.5 | 13.7 | 11.9 | 10.1 | 9.7 | 8.5 | 8.12 |
| Number of ATMs | 479 | 515 | 505 | 461 | 476 | 464 | 434 |
| Number of ATMs per 100,000 in population | 31.9 | 34.7 | 34.3 | 30.6 | 31.2 | 29.4 | 27.3 |
| Number of Accounts ** | 1,907,307 | 2,108,637 | 2,026,890 | 2,457,448 | 2,885,562 | 3,115,346 | 2,925,494 |
| Number of Accounts per 1,000 in population | 1,269 | 1,421 | 1,376.8 | 1,633.6 | 1,892.6 | 1,975.4 | 1,840.6 |
| Number of Internet/PC linked accounts | 477,894 | 616,960 | 707,794 | 1,107,994 | 1,379,607 | 1,561,547 | 1,484,643 |
| ATM Cards (thousands) | 1,384.6 | 1,644.1 | 1,733.7 | 1,808.3 | 2,121.0 | 2,220.0 | 2,224.4 |
| Debit Cards (thousands) | 1,171.7 | 1,210.3 | 1,363.4 | 1,557.5 | 1,822.6 | 1,954.2 | 1,967.4 |
| Credit Cards (thousands) | 322.9 | 306.6 | 402.2 | 312.0 | 272.0 | 334.5 | 343.6 |
| Population | 1,503,091 | 1,483,756 | 1,472,204 | 1,504,365 | 1,524,693 | 1,577,059 | 1,588,670 |

*Retail Banks only (Conventional and Islamic).

**Includes saving deposits as they are used for payments in Bahrain.

Source: CBB and IGA.

6.4 Cyber Security Initiatives

Cyber risk is steadily evolving into a main threat to all industries. Its impact, however, on the financial services industry is growing into an individually recognized risk by all financial institutions. Given the innovations in information technology (IT) and financial institutions' increased reliance on IT channels, cyber security is no longer regarded as a technical issue but a main threat to the industry.

The CBB has more than one role in addressing Cyber risk. Cyber Incidents are required to be reported to the CBB's Banking Supervision immediately upon such occurrence. The CBB's Banking Supervision receives vulnerability and penetration testing reports from financial institutions on a regular basis. The Inspection Directorate conducts both on-site and off-site inspections on financial institutions information technology and cyber security infrastructure, recently multiple financial institutions have been inspected. Additionally, the Inspection Directorate covers the whole cybersecurity domains that ranges from physical security, security operation, risk assessment, governance, threat intelligence, user education, and framework and standards. The Economic Research Division at the FSD issued Cyber Risk

Surveys to cover cyber risk relative to governance and leadership, identification, protection, detection, response and recovery.

The Central Bank of Bahrain (CBB) remains committed to aligning with internationally recognized standards through ongoing compliance and accreditation efforts. In 2024, CBB maintained its adherence to the requirements of key certifications in information security (ISO 27001) and business continuity (ISO 22301), thereby reflecting its continued focus on operational excellence. These certifications underscore the CBB's ongoing efforts at safeguarding critical systems and ensuring the resilience of its operations and services, thus reinforcing its vital role in maintaining the stability and trust of Bahrain's financial sector.

The CBB has implemented a Cyber Threat Intelligence (CTI) platform aimed at delivering real-time threat alerts and providing a structured view of global cyber threat data. Initially integrated with platforms hosted by other GCC central banks, this initiative fosters regional collaboration by enabling the exchange of locally observed threats and anonymized cyber incident information. Looking ahead, CBB plans to expand this network to further strengthen the cyber defense capabilities of Bahrain's financial sector and enhancing the ability to act upon emerging threats.

As part of its ongoing commitment to adopting industry's best practices, the CBB has enhanced the security of its National Payment System infrastructure through the implementation of advanced encryption technologies. This initiative strengthens the protection of data transmission and authentication processes that would ensure the secure exchange of information between participating banks and reinforcing the overall integrity of the payment ecosystem.

ANNEX 1: SELECTED FINANCIAL SOUNDESS INDICATORS (FSIs)

Annex 1 Table 1: Selected Financial Soundness Indicators – All Banking System

| Indicator | Q4 2023 | Q2 2024 | Q4 2024 |
|---|---------|---------|---------|
| Capital Adequacy | | | |
| CAR (%) * | 19.7 | 20.4 | 21.2 |
| Tier 1 CAR (%) * | 18.1 | 19.0 | 19.8 |
| Assets-to-Capital (Times) * | 8.9 | 9.6 | 9.3 |
| Asset Quality | | | |
| NPLs (% of Total Loans) | 2.9 | 3.0 | 2.8 |
| Specific Provisions (% of NPLs) | 58.9 | 59.1 | 53.5 |
| Loan Concentration (Share of Top Two Sectors) (%) | 32.9 | 34.6 | 34.3 |
| Real Estate/ Construction Exposure (%) | 22.0 | 21.6 | 21.6 |
| Earnings | | | |
| ROA (%) | 1.3 | 0.7 | 1.3 |
| ROE (%) * | 9.3 | 6.2 | 11.2 |
| Net Interest Income (% of Total Income) ** | 69.2 | 69.5 | 67.2 |
| Net Fees & Commissions (% of Total Income) ** | 10.6 | 11.8 | 12.4 |
| Operating Expenses (% of Total Income) | 46.6 | 45.1 | 48.2 |
| Liquidity | | | |
| Liquid Assets (% of Total Assets) | 25.7 | 25.6 | 26.8 |
| Loan-Deposit Ratio (%) | 62.5 | 58.8 | 62.2 |

* Locally Incorporated Banks only.

**Conventional Banks only.

Source: CBB.

Annex 1 Table 2: Selected Financial Soundness Indicators - Conventional Banks

| Indicator | Conventional Retail | | | Conventional Wholesale | | |
|---|---------------------|---------|---------|------------------------|---------|---------|
| | Q4 2023 | Q2 2024 | Q4 2024 | Q4 2023 | Q2 2024 | Q4 2024 |
| Capital Adequacy | | | | | | |
| CAR (%) * | 21.9 | 32.9 | 32.0 | 18.0 | 16.7 | 16.9 |
| Tier 1 CAR (%) * | 20.5 | 31.8 | 30.9 | 16.2 | 15.2 | 15.4 |
| Assets-to-Capital (Times) * | 6.9 | 6.3 | 6.4 | 9.9 | 10.5 | 10.2 |
| NPLs Net Provisions to Capital (%) * | 3.1 | 8.7 | 7.6 | 3.6 | 3.8 | 3.8 |
| Asset Quality | | | | | | |
| NPLs (% of Total Loans) | 3.4 | 4.0 | 3.3 | 2.2 | 2.2 | 2.0 |
| Specific Provisions (% of NPLs) | 71.0 | 60.6 | 57.3 | 60.7 | 63.7 | 60.3 |
| Net NPLs (% of Net Loans) | 1.0 | 1.6 | 1.4 | 0.9 | 0.8 | 0.8 |
| Loan Concentration (Share of Top Two Sectors) (%) | 27.9 | 30.3 | 30.5 | 42.9 | 45.8 | 46.6 |
| Real Estate/ Construction Exposure (%) | 29.0 | 28.7 | 28.6 | 16.4 | 16.0 | 15.5 |
| Earnings | | | | | | |
| ROA (%) | 1.7 | 0.9 | 1.8 | 1.1 | 0.6 | 1.0 |
| ROA Local Banks (%) | 1.7 | 0.9 | 1.7 | 0.5 | 0.3 | 0.6 |
| ROA Overseas Banks (%) | 1.7 | 0.9 | 1.8 | 1.9 | 0.9 | 1.5 |
| ROE (%) * | 12.5 | 5.9 | 11.1 | 5.8 | 3.8 | 7.1 |
| Net Interest Income (% of Total Income) | 77.6 | 80.6 | 80.6 | 62.6 | 63.5 | 59.3 |

| | | | | | | |
|---|------|------|------|------|------|------|
| Net Fees & Commissions (% of Total Income) | 7.9 | 8.7 | 9.0 | 12.3 | 14.0 | 15.5 |
| Operating Expenses (% of Total Income) | 39.0 | 41.8 | 40.3 | 45.3 | 42.7 | 49.6 |
| Liquidity | | | | | | |
| Liquid Assets (% of Total Assets) | 32.7 | 37.8 | 40.8 | 23.6 | 21.1 | 22.0 |
| Liquid Assets (% of Short-Term Liabilities) | 49.3 | 51.1 | 52.7 | 29.6 | 27.6 | 29.7 |
| Loan-Deposit Ratio (%) | 67.1 | 66.3 | 66.1 | 63.8 | 63.7 | 67.3 |
| Non-Bank Deposits (% of Total Deposits) | 73.4 | 66.2 | 66.4 | 46.5 | 44.5 | 45.5 |

* Locally Incorporated Banks only.

Source: CBB.

Annex 1 Table 3: Selected Financial Soundness Indicators - Islamic Banks

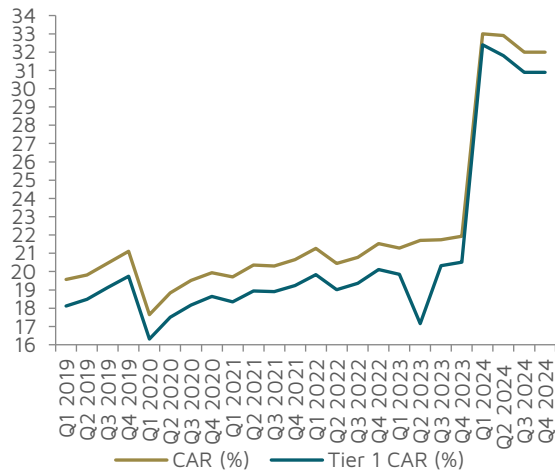
| Indicator | Islamic Retail | | | Islamic Wholesale | | |
|--|----------------|------------|------------|-------------------|------------|------------|
| | Q4 2023 | Q2 2024 | Q4 2024 | Q4 2023 | Q2 2024 | Q4 2024 |
| Capital Adequacy | | | | | | |
| CAR (%) * | 20.0 | 21.3 | 24.6 | 17.4 | 20.8 | 19.6 |
| Tier 1 CAR (%) * | 18.2 | 19.7 | 23.0 | 16.5 | 19.6 | 18.9 |
| Assets-to-Capital (Times) * | 12.3 | 11.1 | 10.0 | 9.1 | 9.3 | 9.6 |
| NPFs Net Provisions to Capital (%) * | 19.5 | 10.4 | 11.6 | 0.2 | 0.6 | 1.0 |
| Asset Quality | | | | | | |
| NPFs (% of Total Facilities) | 4.9 | 4.7 | 4.3 | 1.0 | 0.8 | 1.1 |
| Specific Provisions (% of NPFs) | 40.5 | 51.5 | 42.8 | 87.5 | 50.9 | 43.9 |
| Net NPFs (% of Net Facilities) | 3.0 | 2.4 | 2.6 | 0.1 | 0.4 | 0.6 |
| Facilities Concentration (Share of Top Two Sectors) (%) | 39.1 | 35.5 | 32.6 | 68.3 | 62.6 | 55.3 |
| Real Estate/ Construction Exposure (%) | 29.2 | 32.3 | 29.8 | 22.3 | 16.0 | 16.1 |
| Earnings | | | | | | |
| ROA (%) | 0.6 | 0.8 | 1.5 | 1.3 | 0.7 | 1.3 |
| ROE (%) * | 8.2 | 9.9 | 16.5 | 10.0 | 6.9 | 13.1 |
| Net Income from Own Funds, Current Accounts and Other Banking Activities (% of Operating Income) | 56.4 | 110.5 | 101.4 | 64.2 | 123.2 | 145.7 |
| Net income from Jointly Financed Accounts and Mudarib Fees (% of Operating Income) | 37.9 | 22.1 | 33.6 | 27.7 | 23.6 | 41.3 |
| Operating Expenses (% of Total Income) | 70.9 | 48.6 | 50.3 | 53.5 | 58.3 | 59.9 |
| Liquidity | | | | | | |
| Liquid Assets (% of Total Assets) | 17.7 | 27.2 | 24.8 | 19.9 | 18.1 | 23.8 |
| Facility-Deposit Ratio (%) | 61.4 | 48.8 | 56.1 | 30.4 | 27.1 | 29.3 |
| Current Accounts from Non-Banks (% of Non-Capital Liabilities, excl. URIA) | 38.7 | 34.6 | 30.4 | 6.2 | 8.5 | 6.8 |

* Locally Incorporated Banks only.

Source: CBB.

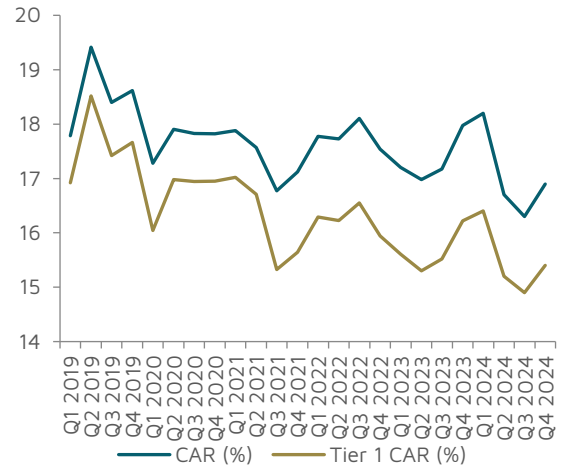
A. Capital Adequacy

Annex 2 Graph 1: Conventional Retail



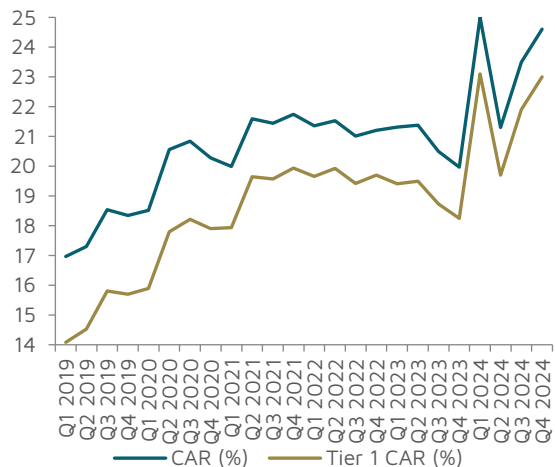
Source: CBB.

Annex 2 Graph 2 : Conventional Wholesale



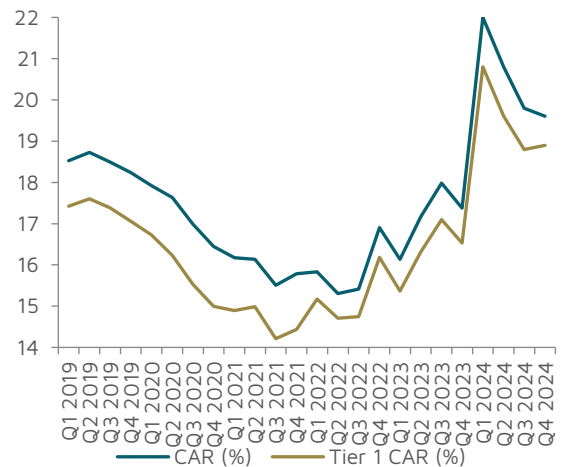
Source: CBB.

Annex 2 Graph 3: Islamic Retail



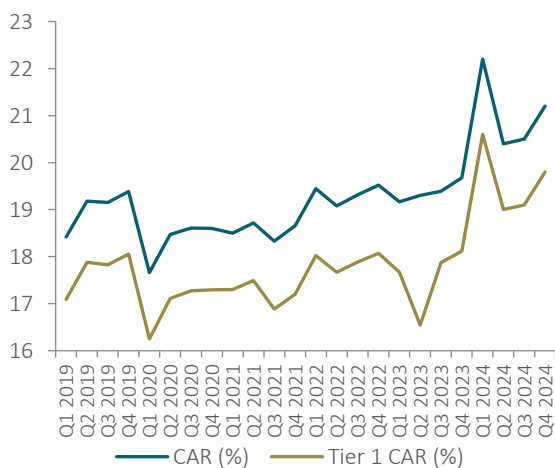
Source: CBB.

Annex 2 Graph 4: Islamic Wholesale

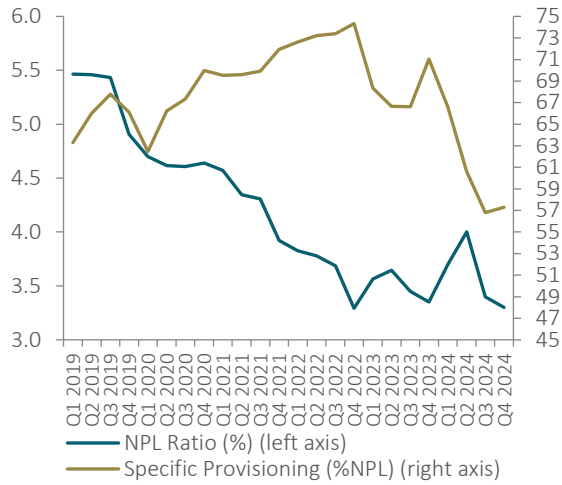


Source: CBB.

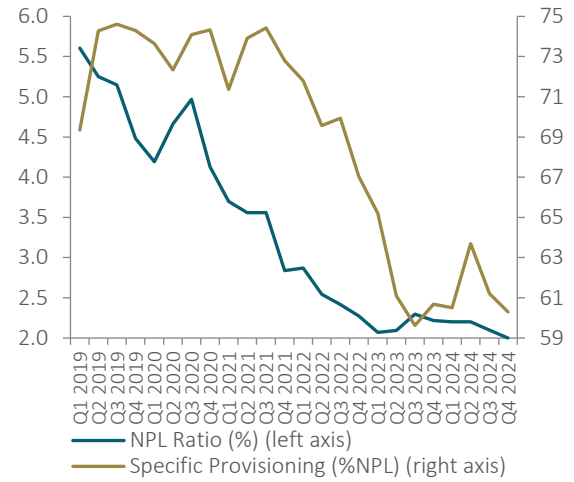
Annex 2 Graph 5: All Banking



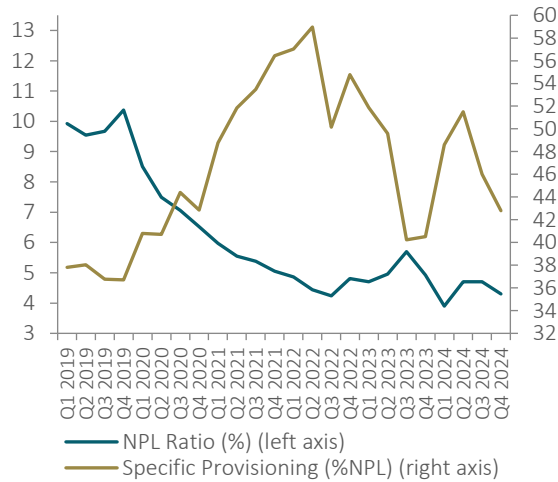
Source: CBB.

B. Asset Quality**Annex 2 Graph 6: Conventional Retail**

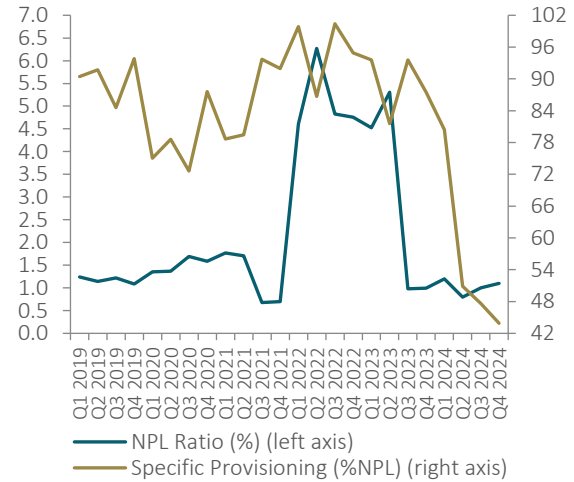
Source: CBB.

Annex 2 Graph 7: Conventional Wholesale

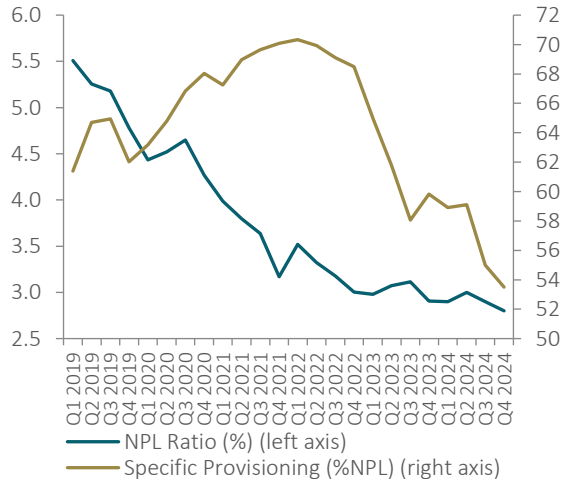
Source: CBB.

Annex 2 Graph 8: Islamic Retail

Source: CBB.

Annex 2 Graph 9: Islamic Wholesale

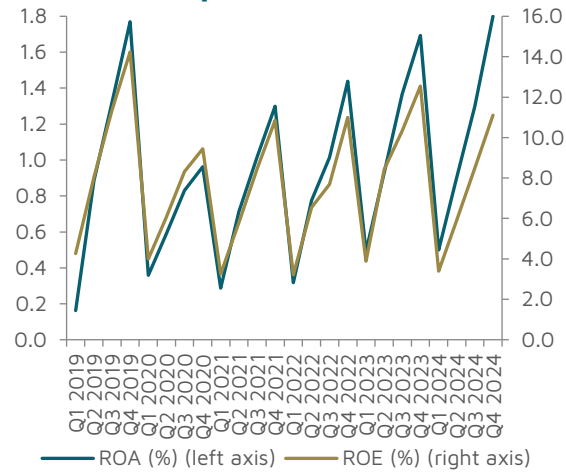
Source: CBB.

Annex 2 Graph 10: All Banking

Source: CBB.

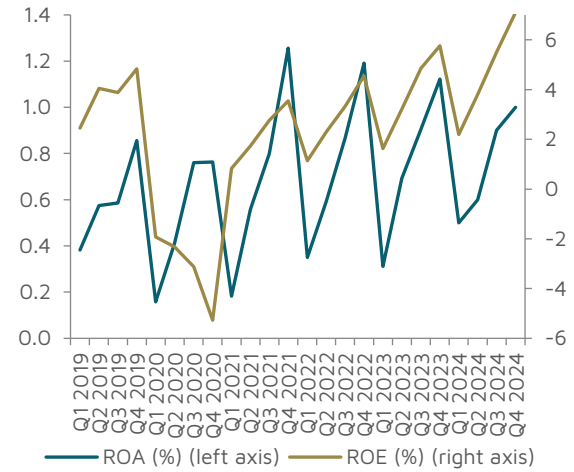
C. Profitability

Annex 2 Graph 11: Conventional Retail



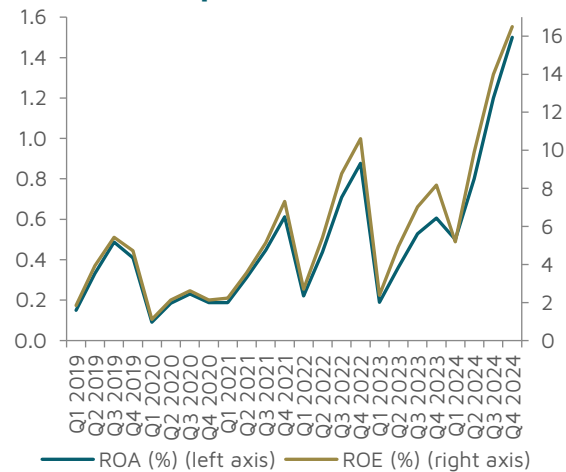
Source: CBB.

Annex 2 Graph 12: Conventional Wholesale



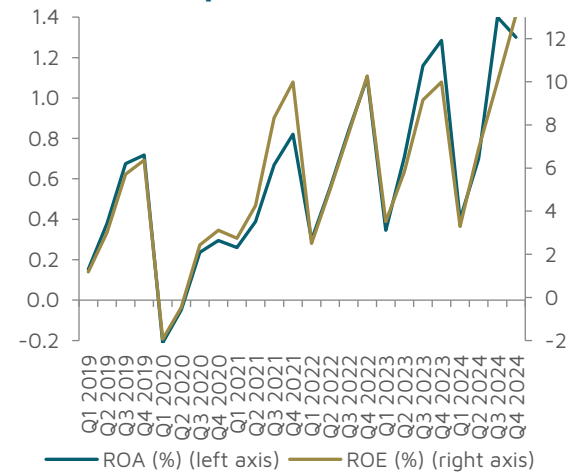
Source: CBB.

Annex 2 Graph 13: Islamic Retail



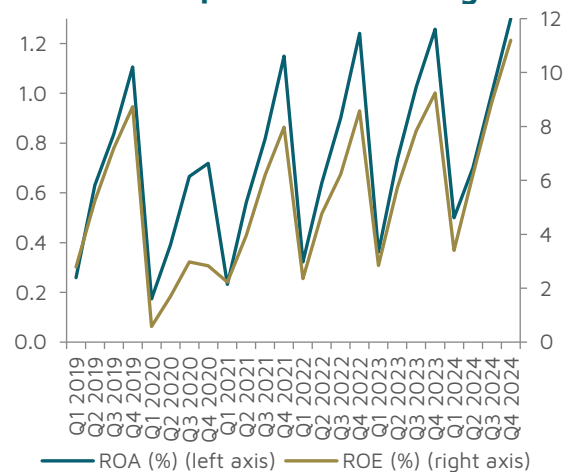
Source: CBB.

Annex 2 Graph 14: Islamic Wholesale



Source: CBB.

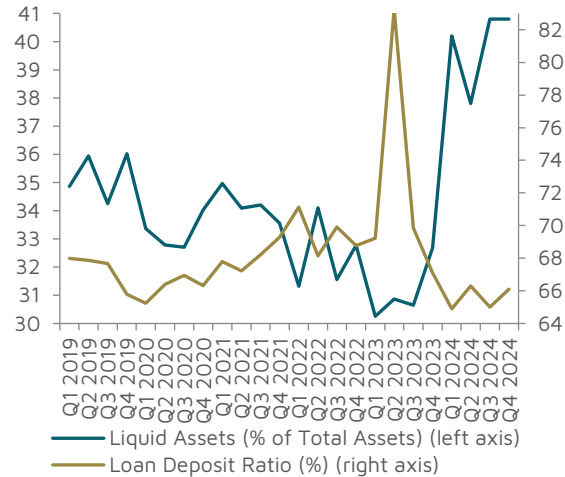
Annex 2 Graph 15: All Banking



Source: CBB.

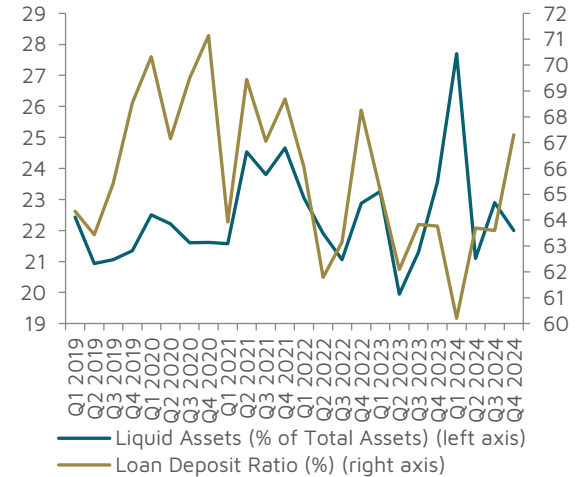
D. Liquidity

Annex 2 Graph 16: Conventional Retail



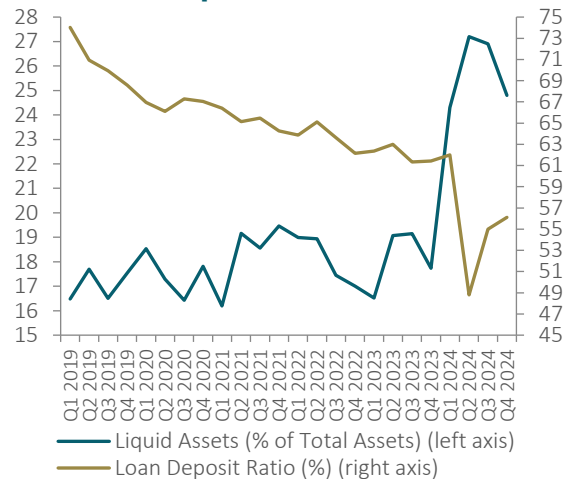
Source: CBB.

Annex 2 Graph 17: Conventional Wholesale



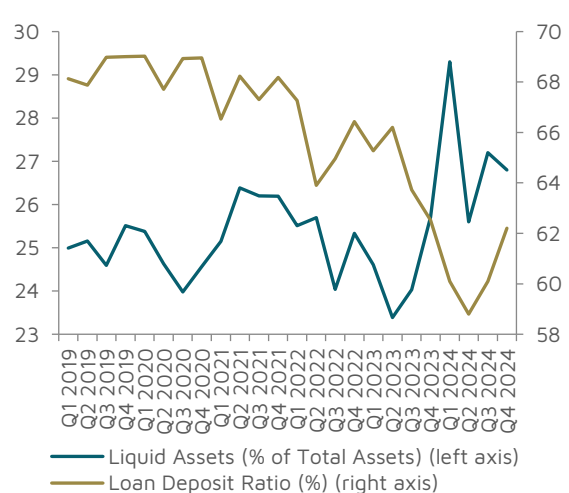
Source: CBB.

Annex 2 Graph 19: Islamic Retail



Source: CBB.

Annex 2 Graph 18: Islamic Wholesale



Annex 2 Graph 20: All Banking

LIST OF ABBREVIATIONS

| Acronym | Description |
|-----------|---|
| ATM | ATM Clearing System |
| API | Application Programming Interface |
| BCTS | Bahrain Cheque Truncation System |
| BECS | Bahrain Electronic Cheque System |
| BENEFIT | The Benefit Company |
| BFB | Bahrain Fintech Bay |
| CAR | Capital Adequacy Ratio |
| CBB | Central Bank of Bahrain |
| CMSD | Capital Markets Supervision Directorate |
| CR | Conventional Retail |
| CW | Conventional Wholesale |
| DSIBs | Domestically Systemically Important Banks |
| EBPP | Electronic Bill Presentment and Payment System |
| EFTS | Electronic Fund Transfer System |
| EU | European Union |
| FinTech | Financial Technology |
| FMI | Financial Market Infrastructure |
| FSD | Financial Stability Directorate |
| FSIs | Financial Soundness Indicators |
| FSR | Financial Stability Report |
| GCC | Gulf Cooperation Council |
| GDP | Gross Domestic Product |
| GP | Gross Premiums |
| IBAN | International Bank Account Number |
| IGA | Information and E-Government Authority |
| IMF | International Monetary Fund |
| IR | Islamic Retail |
| IW | Islamic Wholesale |
| NFA | Net Foreign Assets |
| NPW | Net Premiums Written |
| NPF | Non-performing Facilities |
| NPL | Non-performing Loans |
| P/E ratio | Price Earnings Ratio |
| PFMI | Principles for Financial Market Infrastructures |
| POS | Point of Sale |
| ROA | Return on Assets |
| ROE | Return on Equity |
| RTGS | Real Time Gross Settlement |
| RWA | Risk Weighted Assets |
| SMEs | Small Medium Enterprises |
| SSSS | Scripless Securities Settlement System |
| TRMST | Technology Risk Management Security Team |
| WEO | World Economic Outlook |