

FINANCIAL STABILITY REPORT



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مصرف البحرين المركزي

Central Bank of Bahrain

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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

The first half of 2025 was characterized by a complex global economic environment marked by moderating inflation, diverging monetary policy paths among major economies, and lingering geopolitical uncertainties. While global growth showed tentative signs of stabilization following the slowdown of 2024, financial markets remained sensitive to shifts in interest rate expectations and evolving risk sentiment.

Advanced economies experienced a gradual easing of inflationary pressures, allowing several central banks to initiate or signal the beginning of policy normalization after an extended period of restrictive monetary settings. In contrast, some emerging market economies maintained tighter stances to contain currency pressures and safeguard external balances. Sovereign bond yields declined modestly from their 2024 peaks, reflecting improved inflation expectations, yet remained above pre-pandemic averages, keeping financing conditions relatively tight for households, corporates, and governments.

In the banking sector, profitability remained generally resilient, supported by solid net interest margins and contained credit losses. Nevertheless, some jurisdictions observed margin compression due to competition for deposits and rising funding costs. Liquidity conditions remained adequate, but recent market experiences highlighted the importance of sound risk management, diversification of funding sources, and strong capital buffers.

In Bahrain, financial stability was underpinned by the continued strength of the banking sector and the resilience of the broader financial system. Banks maintained strong capital and liquidity positions, with credit growth supported by ongoing economic recovery and structural reforms aimed at enhancing competitiveness and investment. The insurance and capital markets sectors also exhibited steady performance, benefiting from improved investor confidence and ongoing digital and regulatory developments.

Looking ahead, sustained vigilance remains essential. While the global outlook has improved with easing inflation and stabilizing financial conditions, downside risks persist from geopolitical tensions, tighter global liquidity, and potential repricing in financial markets. In this context, continued efforts to strengthen macroprudential frameworks, enhance risk management practices, and promote financial sector innovation will be critical to preserving stability and supporting long-term economic resilience in Bahrain and the wider GCC region.

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 2023. 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 5: Performance of Payment and Settlement Systems, Point of Sale, and Digital Wallets.
- Chapter 6: 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 252.3 billion as of June 2025. Retail banking total assets continued growing to reach BD 43.5 billion (USD 115.8 billion) in June 2025, wholesale banking sector showed an increase to USD 136.5 billion, and Islamic banking sector assets (which represent 25.6% of the total banking sector assets) increased to USD 64.5 billion.

The total amount of credit to the private sector (business and personal) by retail banks increased to BD 12.5 billion, a growth of 2.0% YoY. The deposit base also witnessed growth to BD 19.8 billion in June 2025 with 79.6% being domestic deposits that had a 2.1% YoY increase.

Banking Sector

The Bahraini banking system remained resilient during H1 2025, supported by strong macroeconomic conditions and adequate capital and liquidity positions. The capital adequacy ratio (CAR) for the banking sector stood at 20.3% in June 2025. The NPL ratio continued decreasing to 2.6% with a stable provision level of provisioning of 54.9%.

Return-on-assets (ROA) decreased to 0.5% and return-on-equity (ROE) also decreased to 5.0%, showing strong profitability. Liquidity positions remained strong as liquid assets as a proportion of total assets stood at 26.3% and the Loan Deposit Ratio (LDR) at 62.5%.

Capital markets

As of June 2025, Bahrain Bourse recorded a total listing of 40 Companies, 3 Mutual funds

and 21 Bonds and Sukuk. Bahrain All Share Index decreased by 4.0% YoY reaching 1,943.8 points. The Bahrain Islamic Index increased by 0.9% reaching 829.5 points. As of end-June 2025, market capitalization of the Bahrain Bourse stood at BD 7.6 billion.

Most of the value shares traded in H1 2025 were in the materials sector representing 79.7%. As for the volume of shares traded, the majority came from the financial sector (46.7%). Most of the number of transactions as of H1 2025 was attained by the financial sector representing 43.4% 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%).

banking services to customers. As of end 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 H1 2025 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 15.1% in H1 2025 YoY. The daily average value of Fawri+ transfers increased by 10.4% YoY. The daily average volume and value of ATM transactions for H1 2025 continued to decrease by 15.1% and 10.0% respectively YoY indicating a continued trend of declining cash withdrawals.

Point of Sale (POS) and E-commerce transactions volume and value increased in H1 2025 by 21.9% and 13.9% YoY respectively. Contactless POS payments continue to show an increasing trend, reaching 78.2% and 52.9% 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

HIGHLIGHTS

DEVELOPMENTS IN FINANCIAL SECTOR

As at June 2025

Financial Sector % of GDP	Number of Licenses	Banking Sector Assets
17.0%	369	USD 252.3 bn ▲ 3.6% YoY
M2	Personal Credit	Business Credit
BD 14.1 bn ▲ 0.8% YoY	BD 6.1 bn ▲ 3.2% YoY	BD 5.4 bn ▲ 1.2% YoY

PERFORMANCE OF BANKING SECTOR

As at June 2025

CAR	NPL	Assets-to-Capital
20.3% ▼ 0.1% YoY	2.6% ▼ 0.4% YoY	9.8 ▲ 0.2 YoY

CAPITAL SECTOR

As at June 2025

All Share Index	Islamic Index	Market Capitalization
1,943.8 ▼ 4.0% YoY	829.5 ▲ 0.9% YoY	BD 7.6 bn ▼ 5.6% 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 June 2025

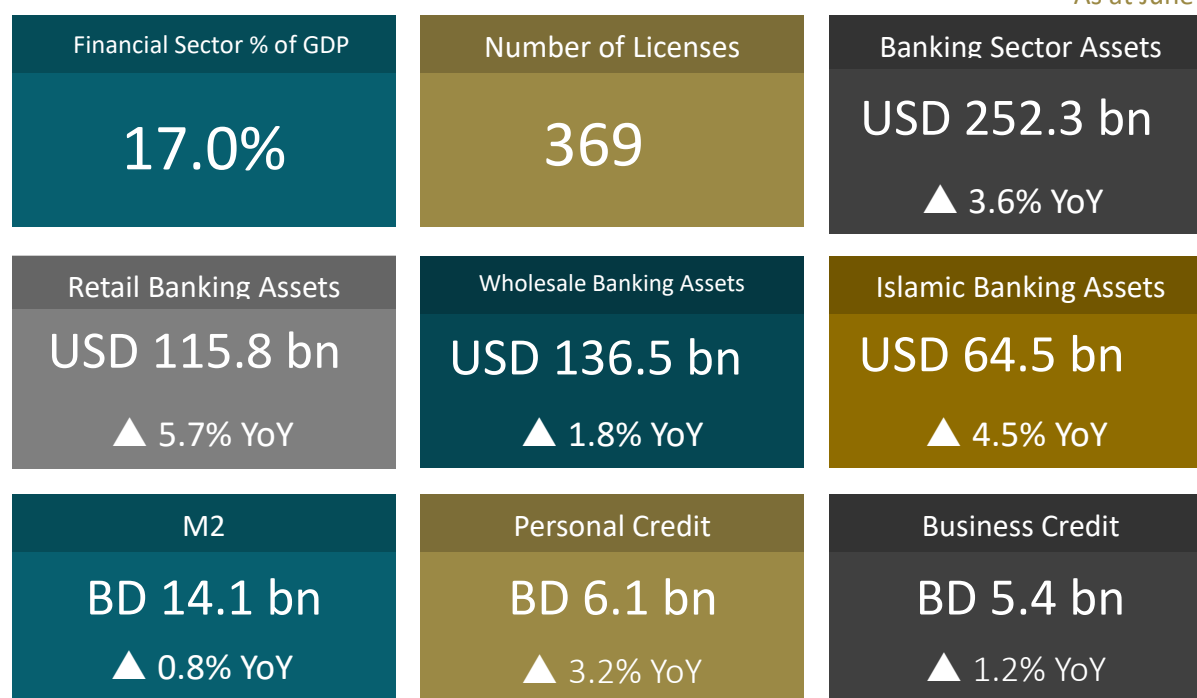
ATM Daily Average		Fawri + Daily Average		POS Transactions	
Volume	Value	Volume	Value	Volume	Value
24,631	BD 2.8 mn	1,268,882	BD 25.5 mn	125.8 mn	BD 2.5 bn
▼ 15.1% YoY	▼ 10.0% YoY	▲ 15.1% YoY	▲ 10.4% YoY	▲ 21.9% YoY	▲ 13.9% YoY



DEVELOPMENTS IN THE FINANCIAL AND NON-FINANCIAL SECTORS

HIGHLIGHTS

As at June 2025



- The size of the assets of the banking sector in Bahrain continued to grow reaching USD 252.3 billion as of June 2025.
- The retail banking sector assets increased to USD 115.8 billion and wholesale banking sector assets increased to USD 136.5 billion representing 45.9% and 54.1% respectively.
- The volume of credit increased by 2.0% YoY to BD 12.5 billion in June 2025.
- Household debt and business debt ratios witnesses an increase.
- As of June 2025, outstanding Loans to SMEs represented 10.4% of total business lending and 4.4% 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

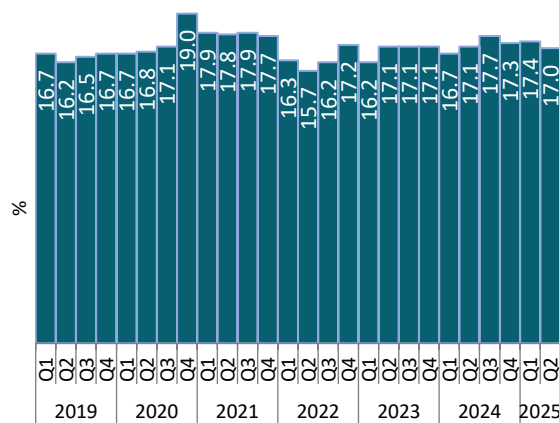
Bahrain’s position as a regional financial center is essential to the development of its economy where the financial sector plays a significant role in economic activity and employment creation. The financial sector is the largest non-oil contributor to GDP representing 17.0% of real GDP in Q2 2025 (compared to 17.1% in Q2 2024, 17.1% in Q2 2023, 15.7% in Q2 2022). As of June 2025, there were 369 licenses issued by CBB (bank and non-bank financial institutions). The banking sector in Bahrain was made up of 83 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: 54 wholesale banks that include 46 conventional (13 locally incorporated and 33 branches) and 8 Islamic wholesale banks.

The 280 non-banking financial institutions operating in Bahrain include investment business firms, insurance companies (including Takaful and Re-Takaful firms), representative offices and specialized licenses.

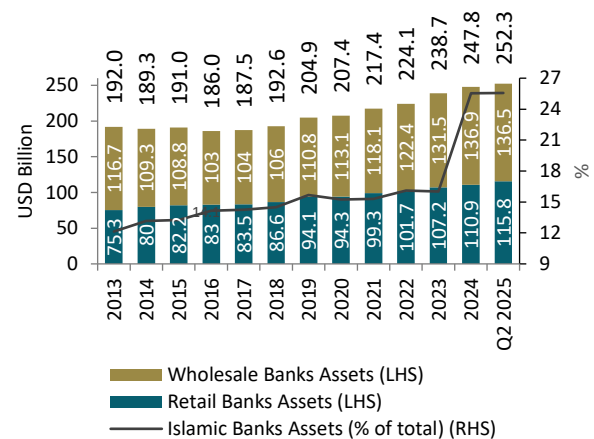
The size of the assets of the banking sector in Bahrain was USD 252.3 billion as of June 2025 (3.6% YoY increase). Growth in Retail and Wholesale Banking continued in 2025 with YoY growth of 5.7% and 1.8% respectively. As for the Islamic banking sector, it continued to grow with a 4.5% YoY growth and represented 25.6% 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)

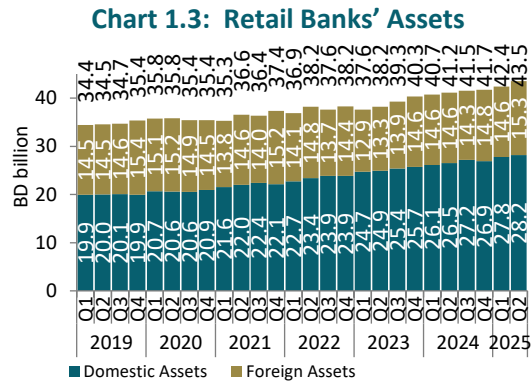
Chart 1.2: Banking Sector Asset Composition



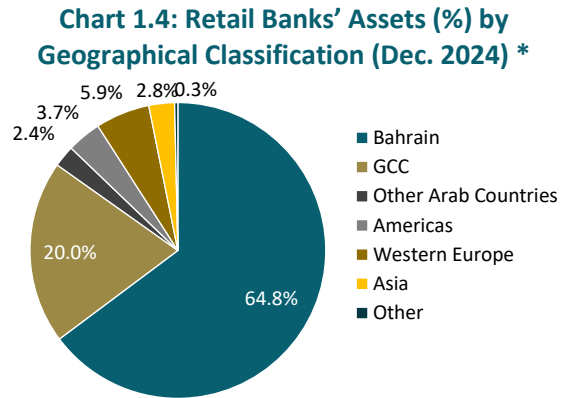
Source: CBB Monthly Statistical Bulletin

1.2.1 The Retail Banking Sector

Retail banking assets continued to grow reaching BD 43.5 billion (USD 115.8 billion) in June 2025 with a 5.7% year-on-year (YoY) increase (see Chart 1.3). As of June 2025, domestic assets comprised 64.8% of total assets with a YoY growth of 6.3% while foreign assets comprised 35.2% of total assets with a YoY increase of 4.6%.



Source: CBB Monthly Statistical Bulletin.



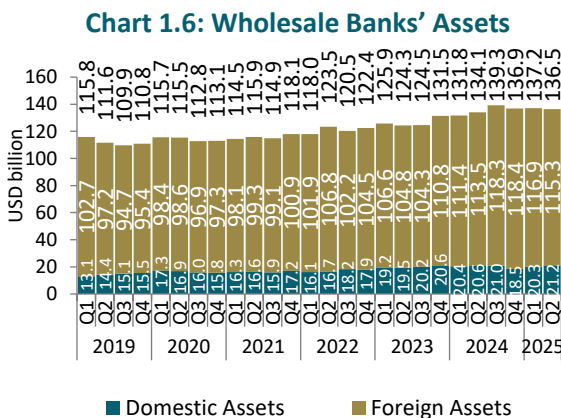
* For conventional and Islamic retail banks.
Source: CBB Monthly Statistical Bulletin.

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 20.0% and European and the Americas contribution was 9.7%.

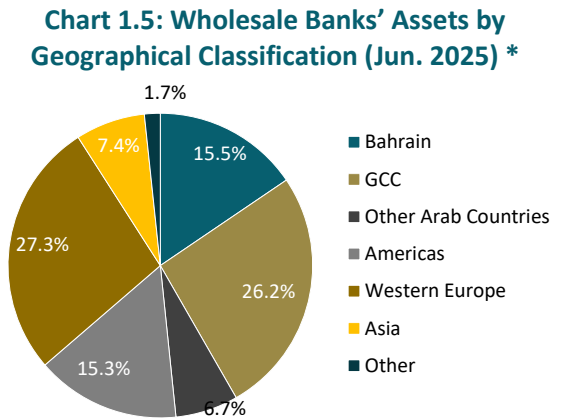
1.2.2 The Wholesale Banking Sector

The size of the wholesale banking sector increased to USD 136.5 billion in June 2025 with a YoY growth of 1.8%. As of June 2025, domestic assets represented 15.5% of total assets and witnessed a YoY increase of 3.0% while foreign assets made 84.5% of total assets with a 1.6% 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 increased to 26.2% in June 2025, after decreasing in 2024. The share of Western Europe's total assets decreased to 27.3%, remaining the largest portion of wholesale bank assets. The share of America's total assets decreased to 15.3% and Asian assets increased to 7.4% in June 2025.



Source: CBB Monthly Statistical Bulletin.

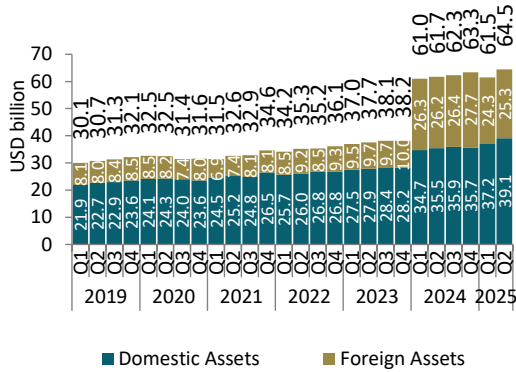


Source: CBB Monthly Statistical Bulletin.
* For conventional and Islamic wholesale banks.

1.2.3 The Islamic Banking Sector

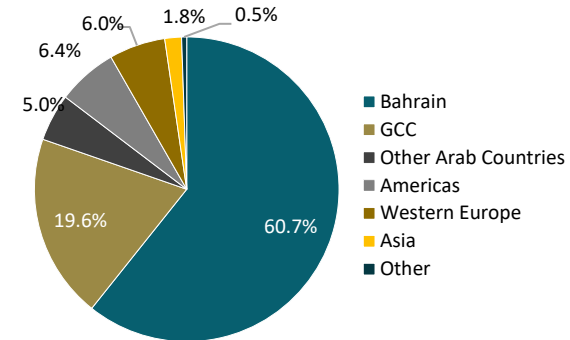
The size of the Islamic banking sector significantly increased to USD 64.5 billion as of June 2025 indicating a 4.5% YoY increase. Domestic assets represented 60.7% of total Islamic banking assets in the sector (10.4% YoY increase) while foreign assets represented 39.3% of total Islamic banking assets (3.5% YoY decrease). Islamic banks continue to be majorly exposed to domestic risks as the share of Bahrain’s total assets increased to 60.7% in June 2025 followed by the GCC (19.6%).

Chart 1.7: Islamic Banks’ Assets



Source: CBB Monthly Statistical Bulletin.

Chart 1.8: Islamic Banks’ Assets by Geographical Classification (Jun. 2025)



Source: CBB Monthly Statistical Bulletin.

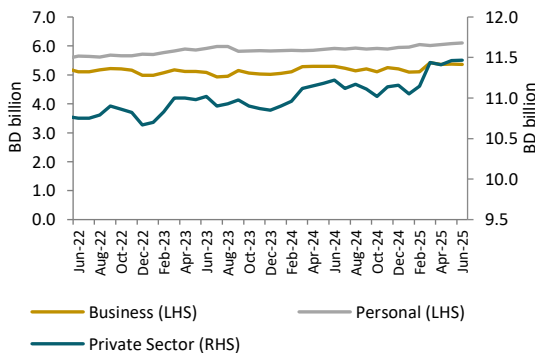
1.2.4 Islamic Windows

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 June 2025, there were 7 Islamic windows operating by conventional retail licenses in Bahrain with total assets of BHD 0.7 billion (1.6% of retail banking assets). As of June 2025, 97.7% of total assets were domestic (13.2% YoY increase) while 2.3% were foreign (29.6% YoY increase).

1.3 Credit Developments

Domestic credit by retail banks increased from BD 12.2 billion in June 2024 to BD 12.5 billion in June 2025 with a 2.0% YoY increase. Credit given to the private sector (business and personal) witnessed a YoY increase of 2.2% moving from BD 11.2 billion in June 2024 to BD 11.5 billion in June 2025 (Chart 1.9). Business lending contributed 43.0% of total lending and personal lending contributed 48.9%. The personal sector was the main driver of the growth in credit financing from June 2024 to June 2025 led mainly by mortgage lending. Regarding retail banks’ lending to the general government, there was a decrease of BD 1.8 million (0.2% YoY decrease) in June 2025 reaching BD 1.0 billion (Chart 1.10).

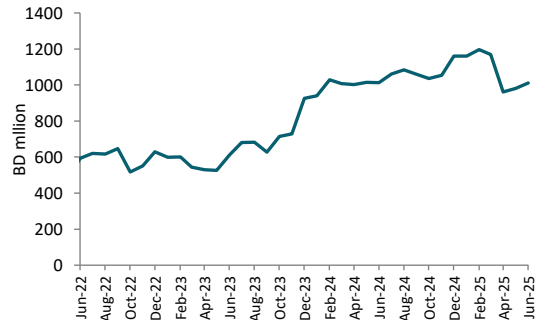
Chart 1.9: Loans to the Private Sector*



Source: CBB Monthly Statistical Bulletin.

* Excluding securities.

Chart 1.10: Loans to General Government*



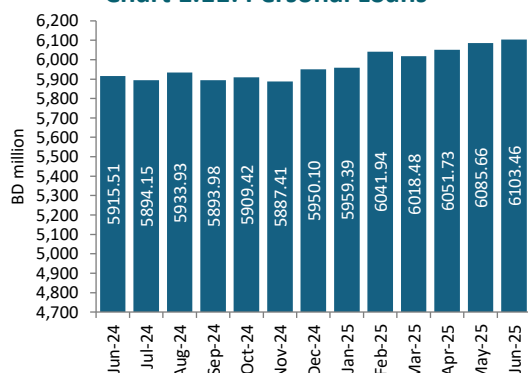
Source: CBB Monthly Statistical Bulletin.

* Excluding securities.

1.3.1 The Households/Personal Sector

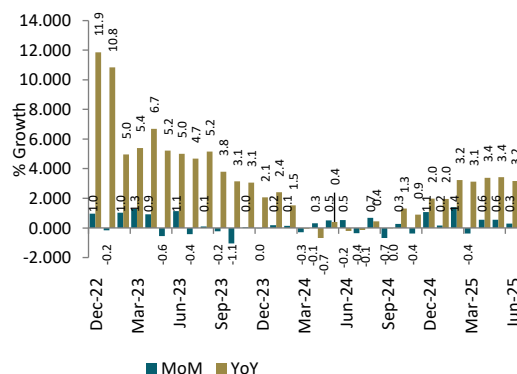
The household/personal sector in Bahrain plays an important role in financial stability and the overall economy. Outstanding personal loans, used as a proxy for household borrowing, shows a YoY increase of 3.2% reaching BD 6.1 billion in June 2025 (Chart 1.11). Personal loans as a percentage of GDP increased to 34.5% by June 2025.

Chart 1.11: Personal Loans



*Using 2025 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 June 2024 and June 2025. Initially 0.5% in June 2024, it increased to reach its highest level for the year 1.4% in February 2025. The highest YoY growth was May 2025 (3.4%).

The two main contributors to personal loans remain to be personal loans secured by property mortgages which made up 50.7% of the total personal loans followed by personal loans secured by personal loans secured with salary assignments at 29.7% of total personal loans.

Table 1.1: Personal Loans Breakdown

	BD million	2021	2022	2023	2024	Q2 2025	% YoY
Total		5,110.7	5,716.8	5,834.6	5,950.1	6,103.5	3.2
Secured by Property Mortgage		2,261.5	2,760.8	2,880.3	3,030.3	3,093.9	3.3
Secured by Vehicle Title		109.2	106.6	97.1	97.2	97.2	-3.2
Secured by Deposits		133.7	129.4	236.9	209.7	213.0	-15.7
With Salary Assignment		1,933.0	1,915.0	1,778.5	1,775.7	1,814.0	2.6
Credit Card Receivables		99.5	84.2	119.9	133.9	126.5	8.6
Other		573.8	720.8	721.9	703.3	758.9	11.3

Source: CBB Monthly Statistical Bulletin.

Chart 1.13: Personal Loans Breakdown (Jun. 2025)

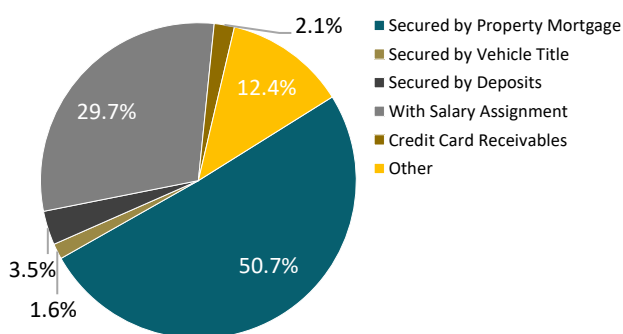
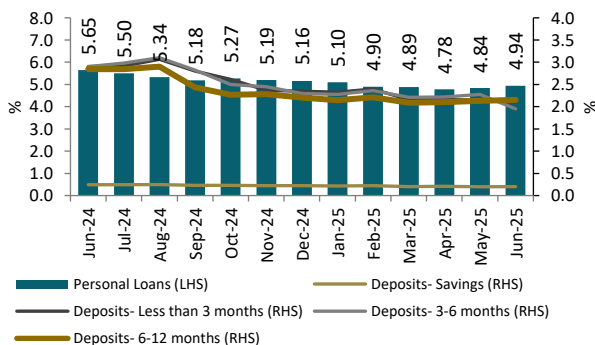


Chart 1.14: Retail Banks- Average Interest Rates on Personal Loans and Deposits (%)

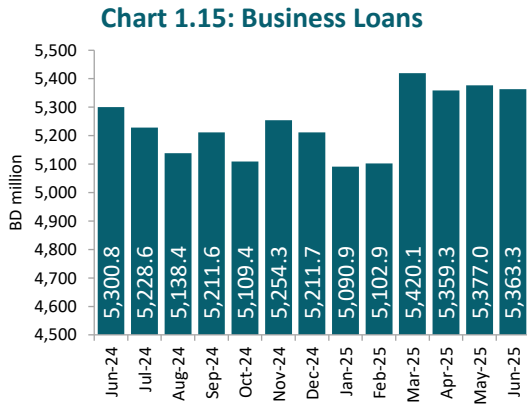


Source: CBB Monthly Statistical Bulletin.

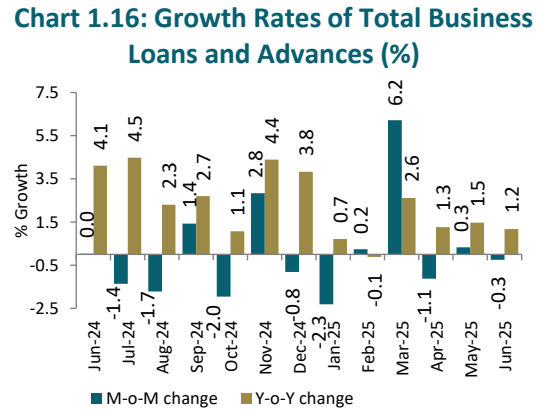
Interest rates on personal loans started off at 5.65% in June 2024 and decreased to 4.94% in June 2025 (Chart 2.14). The chart also shows the retail deposit rate for: Saving deposits, time deposits less than 3 months, time deposits 3 months to 6 months, and time deposits 6 months to 12 months over the same period.

1.3.2 The Bahraini Corporate/Business Sector

Business loans and advances grew by 1.2% between June 2024 and June 2025 from BD million 5,300.8 in June 2024 to BD million 5,363.3 in June 2025 (Chart 1.15). Outstanding business loans as a percentage of GDP increased to 30.3% in June 2025.



Source: CBB Monthly Statistical Bulletin.



Source: CBB Monthly Statistical Bulletin.

The monthly growth rate in total business loans and advances fluctuated between June 2024 and June 2025. Initially 0.0% in June 2024, it increased to reach its highest level for the year 6.2% in March 2025. The highest YoY growth was July 2024 (4.5%).

The biggest contributors to business loans in June 2025 were the construction and real estate sector (27.2%) followed by manufacturing (24.0%), and then trade (11.9%) (Chart 1.17).

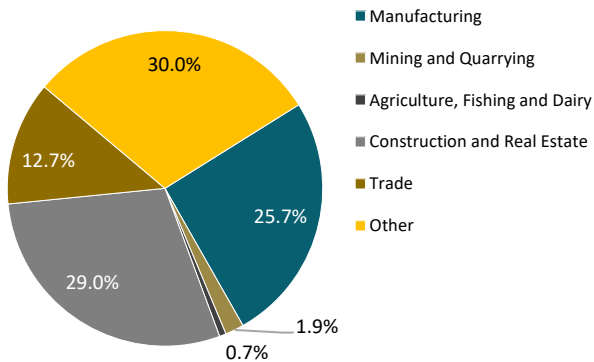
Table 1.2: Business Loans by Sector

BD million	2021	2022	2023	2024	Q2 2025	% YoY
Total	5,341.2	4,951.5	5,019.3	5,211.7	5,363.3	1.2
Manufacturing	1,292.3	1,221.3	1,359.2	1,321.5	1,288.0	-2.7
Mining and Quarrying	74.7	145.1	137.4	84.4	96.2	90.4
Agriculture, Fishing and Dairy	13.2	16.6	18.3	17.5	34.3	94.5
Construction and Real Estate	2,009.6	1,651.7	1,537.5	1,463.8	1,457.9	-4.8
Trade	903.9	814.0	766.8	642.6	638.2	-16.9
Other Sectors	534.4	627.5	950.5	686.1	786.5	18.8

Source: CBB Monthly Statistical Bulletin.

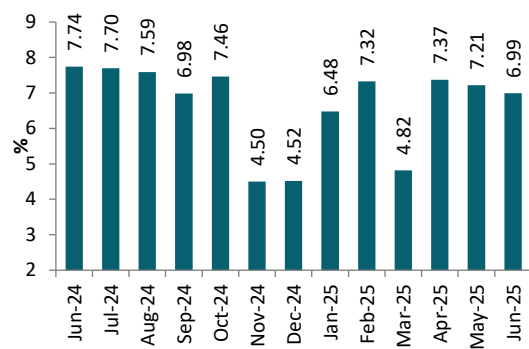
Average interest rates on business loans fluctuated from June 2024 to June 2025, but had an overall decreasing trend. It was at its peak in June 2024 at 7.74% and reached 4.50% in November 2024 (Chart 1.18).

Chart 1.17: Business Loans by Sector (Jun. 2025)



Source: CBB Monthly Statistical Bulletin.

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



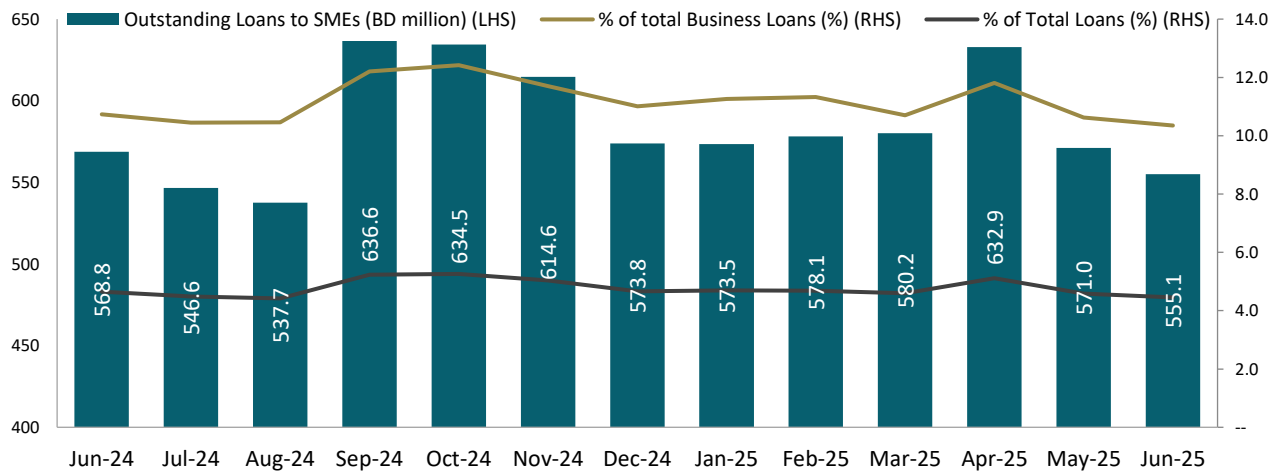
Source: CBB Monthly Statistical Bulletin.

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 SME's 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 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 June 2025, outstanding Loans to SMEs were BD 555.1 million representing 10.4% of total business lending and 4.4% of total lending.

Chart 1.19: SME Loans



Source: CBB Monthly Statistical Bulletin.

1.4 Monetary Indicators

Money supply stood at BD 14,083.0 million in June 2025, 0.8% higher than its value of June 2024. M3 was at BD 16,466.6 million in June 2025, 2.8% higher than in June 2024 (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

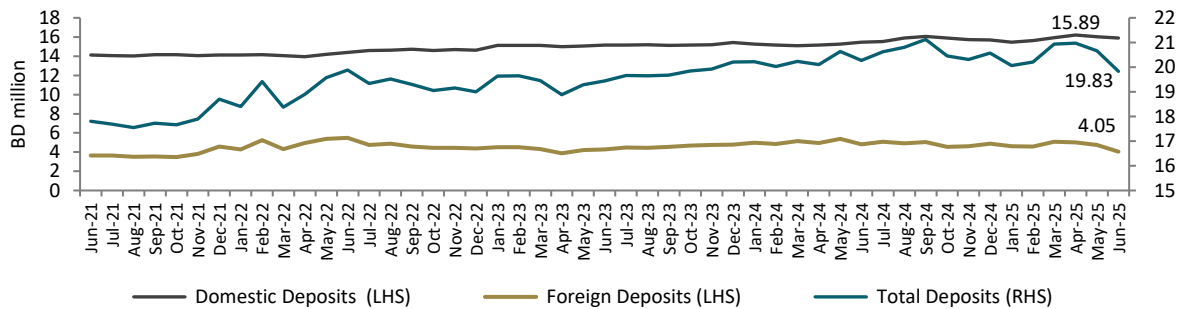
BD million	2021	2022	2023	2024	Q2 2025	% YoY
Currency Outside Banks	558.0	506.5	531.9	534.0	578.7	7.5
Demand Deposits	3,710.7	3,094.1	2881.1	2848.3	2875.2	-1.5
M1	3151.4	2916.4	2,767.8	2,807.8	2,917.1	7.4
Time & savings deposits	8,765.9	9,727.3	10,551.0	10,523.5	10,629.1	1.1
M2	13,034.6	13,327.9	13,964.0	13,905.8	14,083.0	0.8
General Government Deposits	1,849.6	1,807.5	2,306.2	2,314.6	2,383.6	16.3
M3	14,884.2	15,135.4	16,270.2	16,220.5	16,466.6	2.8

Source: CBB Monthly Statistical Bulletin.

As of June 2025, growth in money supply was stimulated by a growth in government deposits. General government deposits increased by 16.3% from BD 2,049.8 million in June 2024 to BD 2,383.6 million in June 2025, while time & savings deposits increased slightly below June 2024 levels.

Total deposits reached BD 19.8 billion in June 2025 with a 2.2% YoY decrease (where domestic deposits represent 79.6% of total deposits and had a YoY increase of 2.1%. 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.

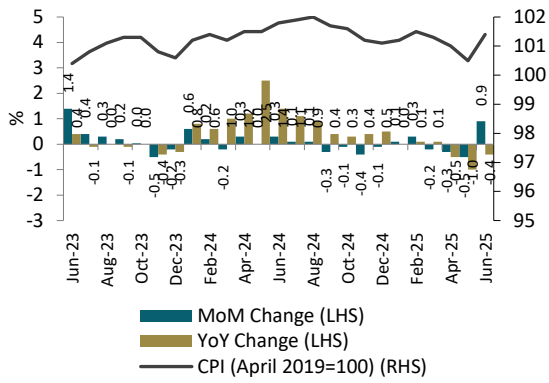
1.5 Inflation

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 June 2025, the Consumer Price Index (CPI) increased to 101.4 points. The annual average rate of inflation in June 2025 was -0.4% (compared to 1.4% for June 2024). The largest year-on-year price increase was recorded in August 2024 when prices increased by 0.9%.

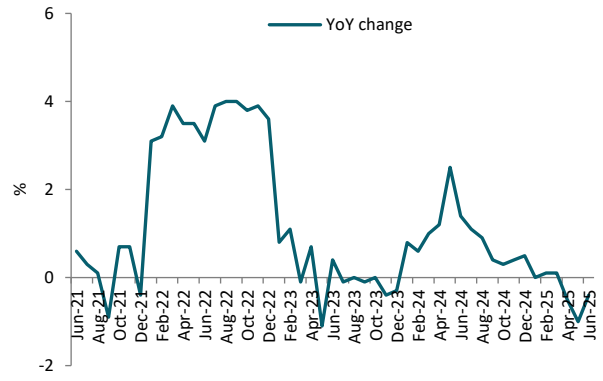
The divisions which made the largest upward contribution to the CPI in June 2025 were the food and non-alcoholic beverages group. The divisions which made the largest downward contribution to the CPI in June 2025 were the ‘housing, water, electricity, and gas’ and ‘transport’ groups.

Chart 1.21: CPI Change



Source: IGA.

Chart 1.21: Monthly Inflation Rate

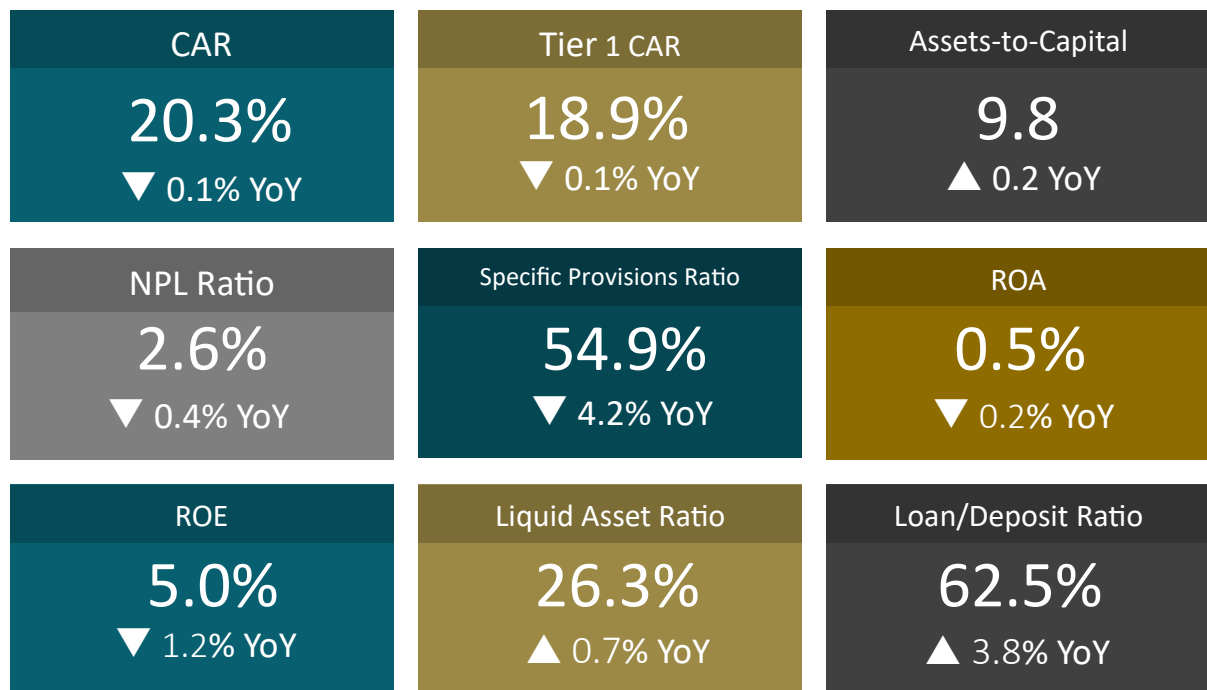




PERFORMANCE OF THE BANKING SECTOR

HIGHLIGHTS

Q2 2025



- 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

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

banking segments are analyzed separately in 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 20.3% in June 2025 decreasing by 0.1% compared to June 2024. The core capital ratio (ratio of Tier 1 capital to risk-weighted assets) showed a decrease from 19.0% June 2024 to 18.9% in June 2025. Whereas the leverage ratio (ratio of assets over capital) slightly increased to 9.8 times during the same period.

Table 2.4: Capital Provision Ratios

Indicator*	Q2 2024	Q4 2024	Q2 2025	YoY Change
All Banking				
CAR (%)	20.4	21.2	20.3	-0.1
Tier 1 CAR (%)	19.0	19.8	18.9	-0.1
Assets/Capital (Times)	9.6	9.3	9.8	0.2
All Retail				
CAR (%)	25.3	27.2	26.0	0.7
Tier 1 CAR (%)	23.9	25.8	24.4	0.5
Assets/Capital (Times)	9.0	8.5	9.0	0.0
All Wholesale				
CAR (%)	17.2	17.2	16.7	-0.5
Tier 1 CAR (%)	15.8	15.8	15.4	-0.4
Assets/Capital (Times)	10.3	10.1	10.6	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 2.6% in June 2025 from 3.0% in June 2024. The specific provisions as a proportion of NPLs continued to fall, decreasing to 54.9% in June 2025 from 59.1% in June 2024. 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.

Table 2.5: NPL Ratios (Q2 2025)

Indicator	Q2 2024	Q4 2024	Q2 2025	YoY Change
All Banking				
NPLs (% Total Loans)	3.0	2.8	2.6	-0.4
Specific provisions (% of NPLs)*	59.1	53.3	54.9	-4.2
All Retail				
NPLs (% Total Loans)	4.3	3.8	3.7	-0.6
Specific provisions (% of NPLs)*	56.1	49.3	50.5	-5.6
All Wholesale				
NPLs (% Total Loans)	2.1	2.0	1.8	-0.3s
Specific provisions (% of NPLs)*	63.6	60.0	62.1	-1.5

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 (44.7% of total NPLs). NPLs for over 3 years represented 27.8% of total gross loans. Specific provisioning for NPLs increases as they are non-performing for longer periods of time. As seen in Table 2.6, NPLs for a period of more than 3 years are provisioned by 71.6%.

Table 2.6: NPL Ratios and Specific Provisions by Time Period (Q2 2025)

Indicator	Up to 1 year	1 up to 3 years	Over 3 years	Total
All Banking				
NPLs (% Total Loans)	1.2	0.7	0.7	2.6
Specific Provisions (% of NPLs)	40.0	60.8	71.6	54.8
All Retail				
NPLs (% Total Loans)	2.0	1.0	0.7	3.7
Specific Provisions (% of NPLs)	38.3	59.0	73.2	50.3
All Wholesale				
NPLs (% Total Loans)	0.5	0.5	0.8	1.8
Specific Provisions (% of NPLs)	45.6	63.6	70.5	62.1

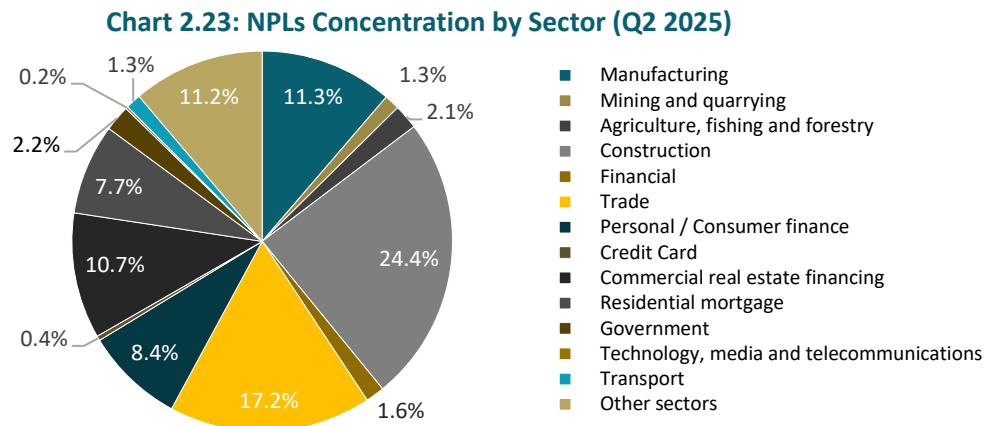
Source: CBB.

Chart 2.22: NPLs by Time Period (%)



Source: CBB.

The NPLs were concentrated in construction (24.4%), trade (17.2%) and manufacturing (11.3%) as indicated in chart 2.24.



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 2.7). The highest increase was in trade, 0.7%. The highest decrease was in transport, which was 1.7%.

Table 2.7: NPL Ratios by Sector (%)

Sector	Q2 2024	Q4 2024	Q2 2025	YoY Change
Manufacturing	2.6	2.1	2.2	-0.4
Mining and quarrying	4.4	1.3	4.2	-0.2
Agriculture, fishing and forestry	3.5	4.2	4.0	0.5
Construction	7.8	8.8	7.5	-0.3
Financial	0.2	0.2	0.2	0.0
Trade	6.6	7.3	7.3	0.7
Personal / Consumer finance	2.9	3.0	2.9	0.0
Credit Card	3.5	3.8	2.0	-1.5
Commercial real estate financing	5.2	3.4	4.1	-1.1
Residential mortgage	3.0	2.9	3.1	0.1
Government	1.1	1.0	0.7	-0.4
Technology, media and telecommunications	0.6	0.3	0.3	-0.3
Transport	2.8	3.0	1.1	-1.7
Other sectors	2.6	2.1	2.0	-0.6

Source: CBB.

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

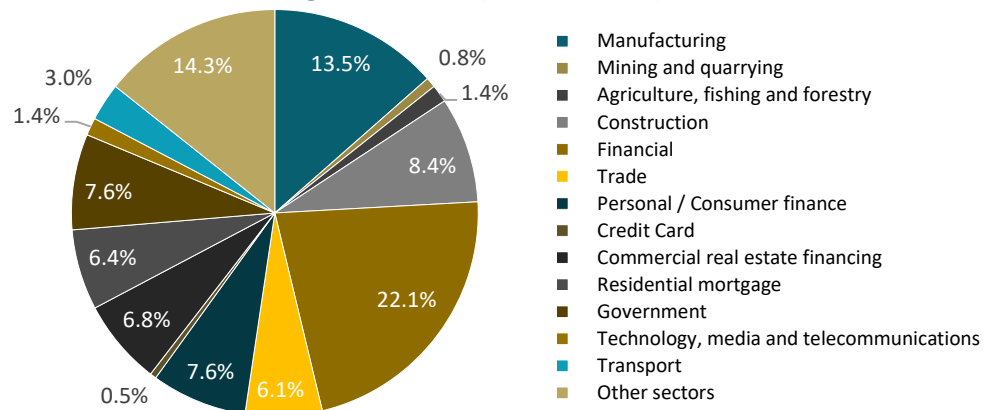
The loan portfolio of the banking system remains concentrated in some sectors. Financial represented the highest exposure with 22.1% of total loans in June 2025. Manufacturing followed with 13.5% and construction stood at 8.4% of total loans.

Table 2.8: Lending Distribution (% Total Loans)

Sector	Q2 2024	Q4 2024	Q2 2025	YoY Change
Manufacturing	13.5	13.8	13.5	0.0
Mining and quarrying	2.1	2.0	0.8	1.3
Agriculture, fishing and forestry	1.6	1.4	1.4	-0.2
Construction	9.1	8.2	8.4	-0.7
Financial	19.6	20.5	22.1	22.5
Trade	6.1	6.2	6.1	0.0
Personal / Consumer finance	7.7	7.7	7.6	-0.1
Credit Card	0.4	0.5	0.5	0.1
Commercial real estate financing	6.0	6.7	6.8	0.8
Residential mortgage	6.5	6.6	6.4	-0.1
Government	7.5	8.0	7.6	0.1
Technology, media and telecommunications	1.6	1.5	1.4	-0.2
Transport	3.5	3.0	3.0	-0.5
Other sectors	15.0	13.8	14.3	-0.7
Top Two Sectors (%)	34.6	34.3	36.4	1.8

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

The top two recipient sectors, financial and manufacturing, jointly represented 36.4% of loans in June 2025, a slight increase from the 34.6% in June 2024. Exposure to real estate/construction was 21.6% of total lending in June 2025, the same as June 2024.

Chart 2.24: Lending Distribution (% Total Loans)

Source: CBB.

2.2.3 Profitability

Profitability remains positive.

The overall banking sector's profitability indicators have been stable between June 2024 to June 2025 and remain robust. Return-on-assets (ROA) decreased to 0.6% in June 2025 from 0.7% in June 2024. As of June 2025, return-on-equity (ROE) decreased to 5.8% from 6.2% in June 2024. Net interest income (as a % of total income) stood at 59.8% in June 2025. In addition, operating expenses as a proportion of total income was 47.6% in June 2025, an increase from the 45.1% registered in June 2024.

Table 2.9: Profitability

Indicator	Q2 2024	Q4 2024	Q2 2025	YoY Change
All Banking				
ROA (%) *	0.7	1.3	0.6	-0.1
ROE (%) **	6.2	11.2	5.8	-1.2
Net Interest Income (% Total Income) ***	69.6	67.2	59.8	-9.8
Operating Expenses (% Total Income)	45.1	48.2	47.6	2.5
All Retail				
ROA (%) *	0.9	1.7	0.7	-0.2
ROE (%) **	8.1	14.2	7.5	-0.6
Net Interest Income (% Total Income) ***	8.9	9.4	9.6	0.7
Operating Expenses (% Total Income)	45.5	45.7	46.0	0.5
All Wholesale				
ROA (%) *	0.6	1.0	0.5	-0.1
ROE (%) **	4.2	8.0	4.2	0.0
Net Interest Income (% Total Income) ***	14.8	15.9	15.7	0.9
Operating Expenses (% Total Income)	44.6	50.9	49.2	4.6

* 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 June 2024 and June 2025, the overall loan-deposit ratio increased to 62.3% from 58.8%. Liquid assets as a proportion of total assets increased by 0.5% to 26.1% over the same period.

Table 2.10: Liquidity

Indicator	Q2 2024	Q4 2024	Q2 2025	YoY Change
All Banking				
Liquid Asset Ratio (%)	25.6	26.8	26.1	0.5
Loan-Deposit Ratio (%)	58.8	62.2	62.3	3.5
All Retail				
Liquid Asset Ratio (%)	32.6	32.9	32.1	-0.5
Loan-Deposit Ratio (%)	57.0	60.9	60.7	3.7
All Wholesale				
Liquid Asset Ratio (%)	20.9	22.2	21.8	0.9
Loan-Deposit Ratio (%)	60.1	63.2	63.6	3.5

Source: CBB.

2.3 Developments in Regulation and Initiatives

The following section sheds light on the regulatory and policy initiatives that took place in 2025 for the banking and financial sector:

Table 2.11: Key Banking Sector Regulatory and Policy Developments 2025

Item	Description
Fit and Proper Requirements Module	In March 2025, the CBB issued the Fit and Proper Requirements Module containing new requirements for assessing suitability (fitness and propriety), of board and senior management personnel, as well as competency requirements.
GCC Fund Passporting Regime	In May 2025, the CBB introduced amendments to the Collective Investment Undertakings Module, following the issuance by the GCC General Secretariat of the 'Regulatory Framework for the Cross-Border Registration of Financial Products between the Regulatory Authorities Regulating GCC Capital Markets.' This framework seeks to establish a harmonized regulatory approach among GCC member states for the passporting of financial products.
Stablecoin Issuance and Offering Module	In July 2025, the CBB issued the Stablecoin Issuance and Offering Module under Volume 6 of the CBB Rulebook. This Module applies to stablecoin issuers undertaking regulated stablecoin offering services in or from the Kingdom of Bahrain.
Proposed Amendments to the Credit Risk Management Module	In March 2025, the CBB issued a consultation paper on new exposure limit requirements, which are intended to replace the existing large exposure and connected counterparty exposure requirements.
Cyber Security Requirements	In July 2025, the CBB issued a circular to all licensees requiring full implementation of the cybersecurity measures issued by the National Cybersecurity Center (NCSC). These measures include ensuring that all public-facing systems are regularly updated, enabling multi-factor authentication (MFA) protocols for critical systems, performing periodic backups of critical systems, and immediately reporting any suspected cybersecurity incidents.

3 PERFORMANCE OF CAPITAL MARKETS

HIGHLIGHTS

As at end Q2 2025

# of Companies	All Share Index	Islamic Index
40	1,943.81 ▼ 4.0% YoY	829.48 ▲ 0.9% YoY
Market Capitalization	Value of Transactions	Volume of Transactions
BD 7.6 bn ▼ -5.6% YoY	BD 469.1 mn	790.3 mn

- Decrease in Bahrain All Share & increase in Bahrain Islamic Index.
- Bahrain Bourse's market capitalization stood at BHD 7.6 billion in Q2 2025 end, decreasing by 5.6% year on year.
- The Materials Sector dominated the market trading activity as it had the highest value traded.
- Bahrainis represented 18% of the value of shares bought and 18% of value of shares sold during Q2 2025.

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 first half 2025, Bahrain Bourse recorded a total listing of 40 Companies, 3 Mutual Funds, 21 Bonds and Sukuk and one REIT. During the first half of 2025, there were 22 companies that closed higher and 12 closed lower and 6 remained unchanged. Financials sector remains the dominant sector in Bahrain Bourse in terms of market capitalization making up 63% 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 65% of the total market.

3.2 Bahrain Bourse

3.2.1 All Share Index and Islamic Index Overview

Increase in market index

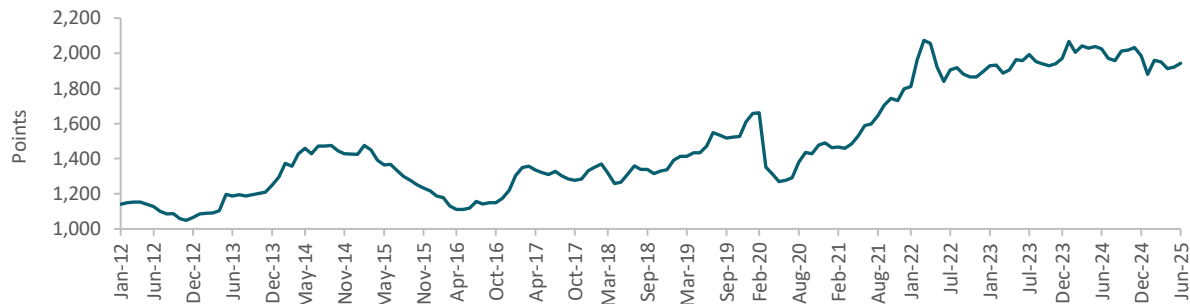
Bahrain All Share Index decreased by 2.12% during first half of 2025. The index recorded the lowest month-end close level in January 2025, and the highest month-end close was recorded in June.

Table 3.12: Key Indicators of Bahrain Bourse

Indicator	2019	2020	2021	2022	2023	2024	Q2 2025
All Share Index	1,610.2	1,489.8	1,797.3	1,895.3	1,971.49	1,985.91	1,943.81
Highest	1,610.2	1,668.7	1,797.3	1,918.0	1,992.02	2,005.42	1,960.23
Lowest	1,391.4	1,232.4	1,447.6	1,839.6	1,886.61	1,957.49	1,879.48
Market Capitalization (BD, Total Value (BD million))	10,134.6	9,277.3	10,815.5	11,408.9	7,768.6	7,693.7	7,556.2
Total Volume (million)	286.4	212.8	195.7	160.6	210.2	319.8	469.1
No. of Transactions	1,157.3	1,209.3	1,018.3	517.3	780.7	1,483.9	790.3
No. of Companies Listed	20,712	19,309	21,001	17,190	17,730	17,014	9,367
	43	43	41	42	41	40	40

Source: Bahrain Bourse.

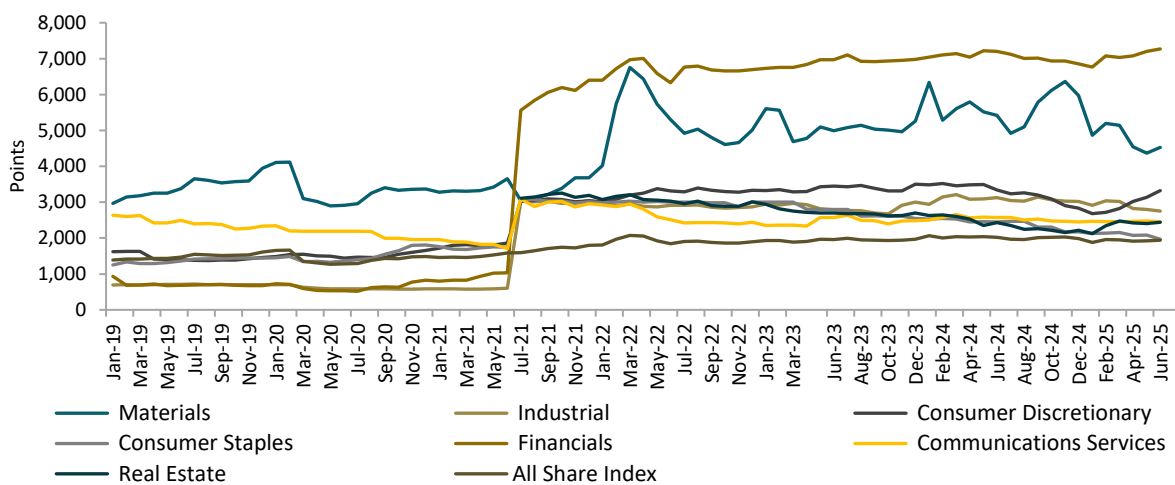
Chart 3.25: Bahrain All-Share Index



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 3.26: Sector Indices Levels & Returns



Source: Bahrain Bourse.

Table 3.13: Bahrain All Share Index by Sector

	2024	2Q 2025
Materials	5,972.44	4,525.27
Industrials	3,015.52	2,748.50
Consumer Discretionary	2,835.85	3,325.01
Consumer Staples	2,175.61	1,965.41
Financials	6,855.36	7,269.90
Communications Services	2,451.93	2,457.02
Real Estate	2,216.69	2,436.66

Source: Bahrain Bourse.

In September 2015, Bahrain Bourse launched the Bahrain Islamic Index as the first Islamic finance index in the region. There were 13 Shariah compliant companies included within the index as of end of June 2025. Bahrain Islamic Index increased by 6.36% in the first half of 2025 reaching 829.48 points.

Chart 3.27: Bahrain Islamic Index, Dec. 2015 – Jun. 2025

Source: Bahrain Bourse.

3.2.2 Bahrain Bourse Trading Statistics

Market Capitalization

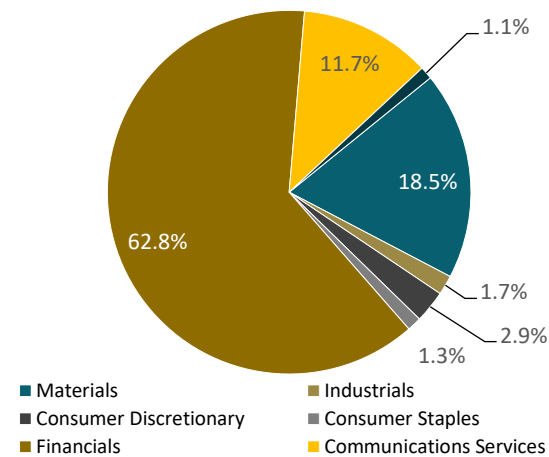
As of June 2025, market capitalization of the Bahrain Bourse stood at BD 7.6 billion. This level of market capitalization is 2.12% lower than year-end 2024.

Table 3.14: Market Capitalization on the Bahrain Bourse

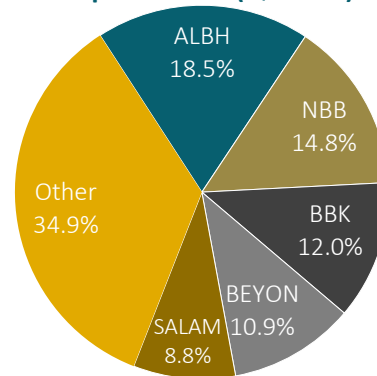
Sector (BD)	2024	Q2 2025	(% Change)
Materials	1,846,000,000	1,398,700,000	-24.23
Industrials	143,990,000	131,240,000	-8.85
Consumer Discretionary	163,421,153	217,220,613	32.92
Consumer Staples	105,927,622	95,692,956	-9.66
Financials	4,475,650,499	4,745,169,211	6.02
Communications Services	881,771,421	883,600,690	0.21
Real Estate	76,914,895	84,547,585	9.92
Total	7,693,675,590	7,556,171,054	-1.79

Source: Bahrain Bourse.

A breakdown of market capitalization by sector indicates that the Consumer Discretionary sector scored the highest increase in market capitalization (32.92%) during first half of 2025. The Materials sector recorded the highest percentage decrease in market capitalization with a 24.23% decrease during first half of 2025.

Chart 3.28: Market Capitalization by Sector (Q2 2025)

Source: Bahrain Bourse.

Chart 0.29: Largest 5 companies by Market Capitalization (Q2 2025)

Source: Bahrain Bourse.

Aluminum Bahrain is the largest company in terms of Market Capitalization and contributes 18.51% of the total market capitalization as Q2 2025. National Bank of Bahrain has the second largest share of Market Capitalization of 14.84% and it is followed by Bank of Bahrain & Kuwait with 12.02%, Beyon with 10.90% and Al Salam Bank with 8.84%.

Table 3.15: Largest 5 Companies by Market Capitalization (Q2 2025)

Company	Market Capitalization (BHD)	% from Total Market
Aluminum Bahrain (ALBH)	1,398,700,000	18.51
National Bank of Bahrain (NBB)	1,121,707,155	14.84
Bank of Bahrain and Kuwait (BBK)	908,295,155	12.02
Bahrain Telecommunication Company (BEYON)	823,284,000	10.90
Al Salam Bank (SALAM)	667,709,728	8.84
Total	4,919,696,038	65.11

Source: Bahrain Bourse.

Value of Shares Traded

Most of the value of shares traded during first half of 2025 was in the Materials sector whose traded shares (by value) represented 79.68% of total value.

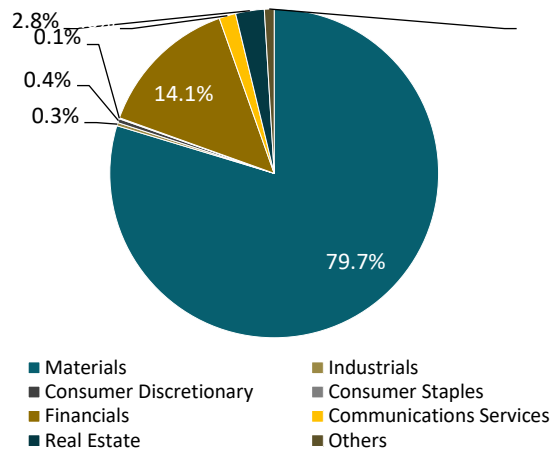
Table 3.16: Value of Shares Traded by Sector (% of Value of all shares traded)

Sector	Value (BHD)	% from Total Market
Materials	373,746,903	79.68
Industrials	1,457,852	0.31
Consumer Discretionary	1,863,061	0.40
Consumer Staples	472,314	0.10
Financials	66,106,460	14.09
Communications Services	7,701,265	1.64
Real Estate	13,214,475	2.82

Source: Bahrain Bourse.

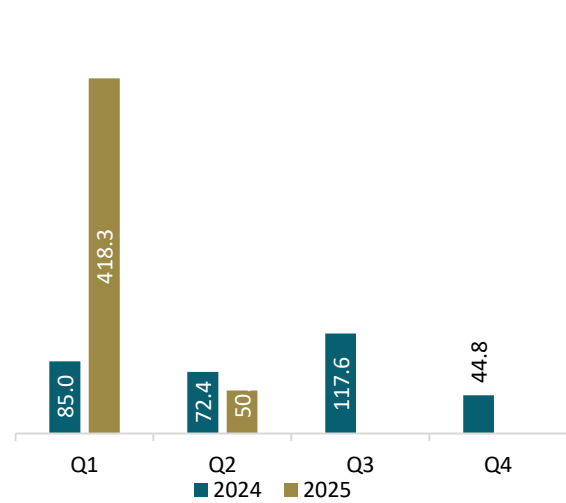
The Materials sector represents the largest level at 79.68% of the total value of shares traded in first half of 2025. Investors' interest in Consumer Staples sector was the least during this period with traded shares by value representing only 0.10% of the total value of traded shares.

Chart 0.30: Value of Shares Traded by Sector (% of Value of all shares traded) (H1 2025)*



* Other sector includes Closed companies, Non-Bahraini and IPOs.
Source: Bahrain Bourse.

Chart 3.31: Value of Shares Traded Comparison



Source: Bahrain Bourse.

Volume of Shares Traded

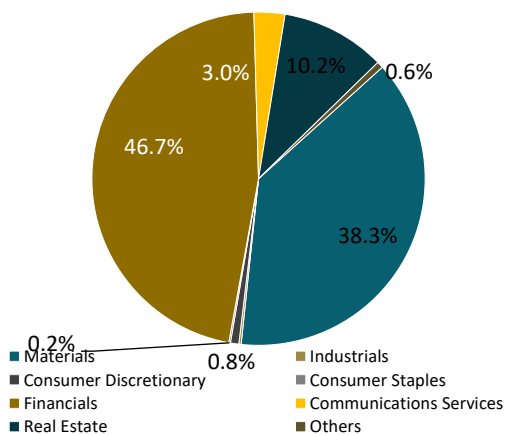
The bulk of the volume of shares traded in first half 2025 was in the Materials sector representing 84.78% of the total volume of shares traded, followed by the Real Estate sector at 5.35%. The lowest level was attained by the Consumer Staples sector at 0.18%.

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

Sector	2024	Q2 2025
Materials	3.4	38.3
Industrials	0.3	0.2
Consumer Discretionary	1.0	0.8
Consumer Staples	0.2	0.2
Financials	84.8	46.7
Communications Services	1.6	3.0
Real Estate	5.4	10.2

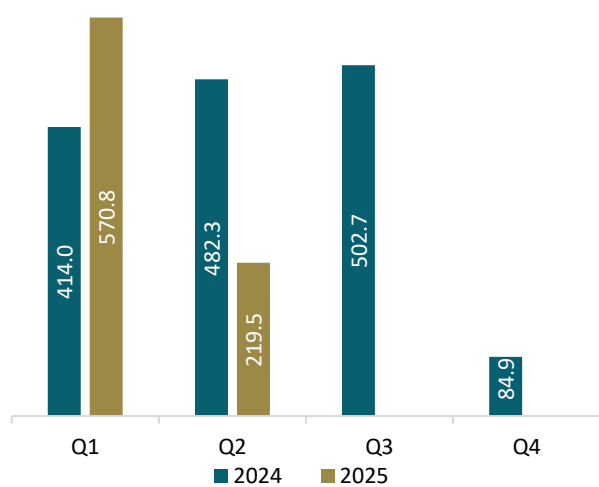
Source: Bahrain Bourse.

Chart 3.32: Volume of Shares traded by Sector (% of Volume of all shares traded) (First Half 2025)*



* Other sector includes Closed companies, Non-Bahraini and IPOs.
Source: Bahrain Bourse.

Chart 3.33: Volume of Shares Traded Comparison



Source: Bahrain Bourse.

Number of Transactions

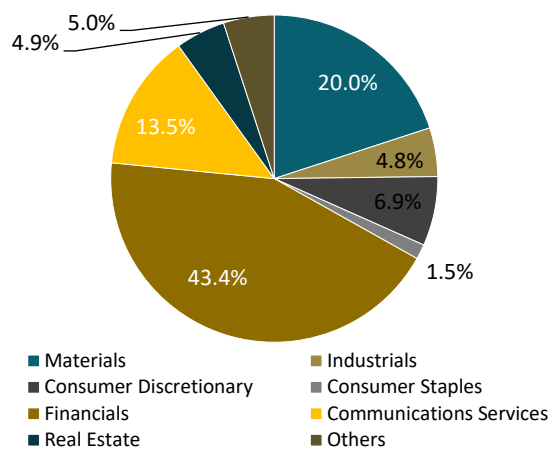
During first half of 2025, the market executed 9,367 transactions. Most of the transactions were executed by the Financials sector at 4,067 transactions (43% of all transactions), followed by the Materials at 1,872 transactions (20%), and the Communications Services sector at 1,266 transactions (14%).

Table 3.18: Number of Transactions by Sector

Sector	H1 2024	H1 2025
Materials	2,344	1,872
Industrials	285	451
Consumer Discretionary	205	642
Consumer Staples	144	138
Financials	4,692	4,067
Communications Services	916	1,266
Real Estate	468	461
Total Market	9,571	9,367

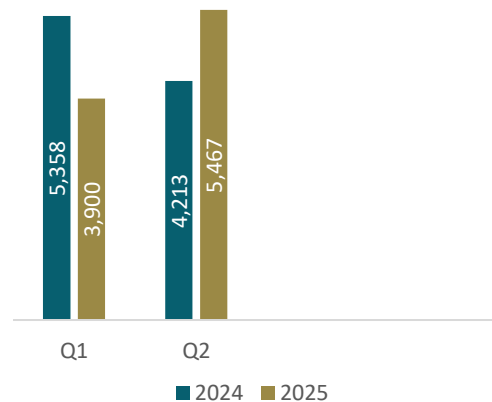
Source: Bahrain Bourse.

Chart 3.34: Number of Transactions (% of all transactions) (2024) *



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

Chart 3.35: Number of Transactions Comparison



Source: Bahrain Bourse.

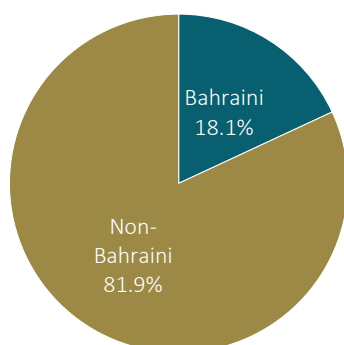
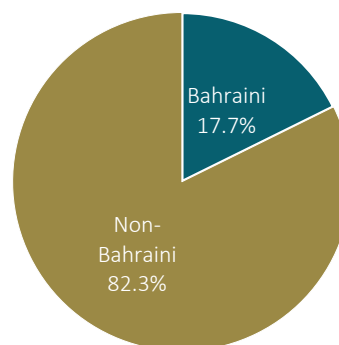
Trading by nationality

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 3.37: Share of Trading Value of Buy transactions by nationality (First Half 2025)**Chart 3.36: Share of Trading Value of Sell transactions by nationality (First Half 2025)**

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).

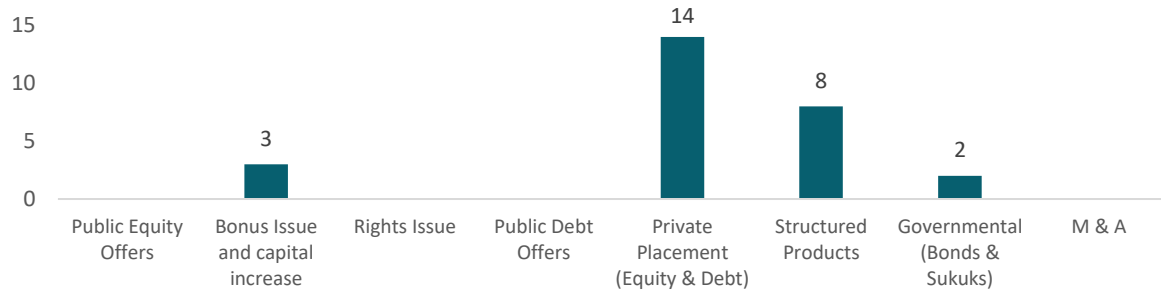
The strategy also aims to develop the financial market by supporting Bahrain in joining the emerging markets index, which would stimulate investment and provide support to market intermediaries and representatives in a way that contributes to expanding the number of investors and improving liquidity 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.

3.3 Capital Market Activities

3.3.1 Offering of Securities

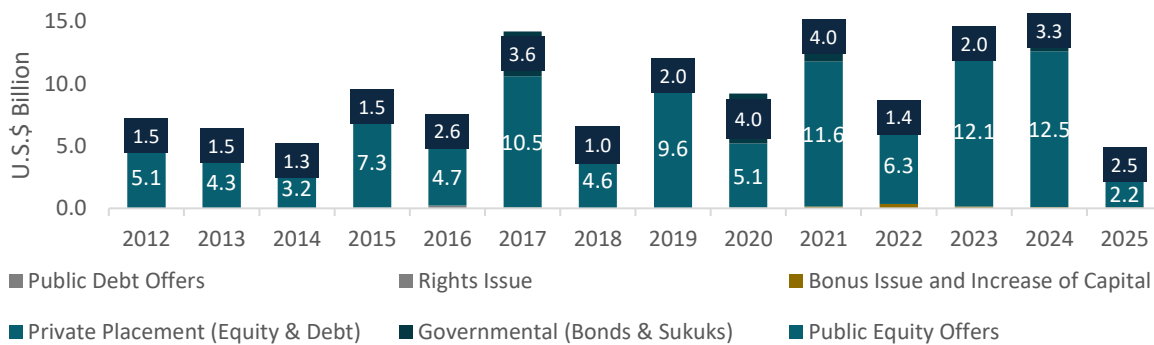
As at June 2025, CBB issued its no objection to the issuance of 27 offering documents. The total value of issuances reached 4.78 USD billion. (Chart 3.39 & 3.40).

Chart 3.38: Number of Capital Market Activities



Source: CBB.

Chart 3.39: 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. 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, to facilitate any necessary information exchange.

During 2025, 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 2025:

3.5.1 Policy and Regulatory Developments

- Following the consultation with the industry, the CBB issued its new Fit and Proper Requirements Module on 3rd March 2025 which is Common Module applicable to all CBB licensees. The new regulatory framework envisaged in the Module reflects a fundamental shift in the way board and senior management appointments and competency requirements are regulated- in short, the CBB has moved away from the one-size-fits-all prescriptive qualifications framework and licensees are expected to take full ownership for appointing and assessing their senior managers

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 fourth 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.

4 PERFORMANCE OF THE INSURANCE SECTOR

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 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

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

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%.

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.

hotels; and miscellaneous goods and services.

⁶ Chapters 3, 4, and 5 cover the period between Q4 2023 and Q4 2024, unless ot

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.

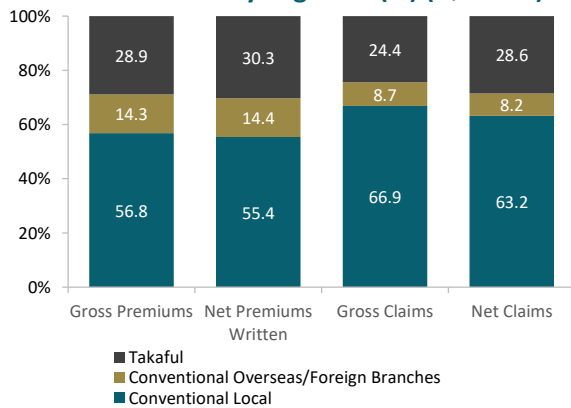
Net Claims for the insurance industry show an increase of 7.5%, which was derived from an annual increase in Engineering (170.7%) and Others (140.9%).

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

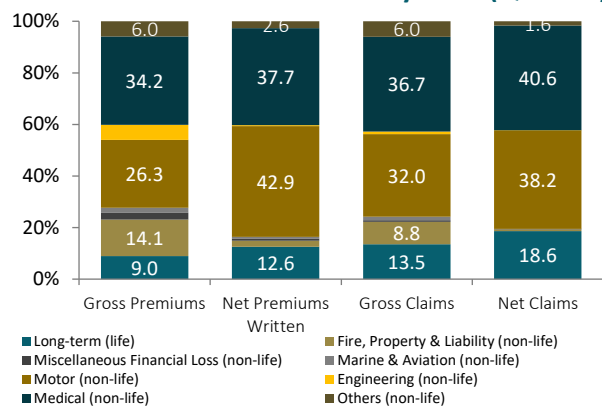
BD 000	Gross Premiums		Net Premiums Written		Gross Claims		Net Claims	
	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024
Long-term (Life)	22,666	21,461	18,639	17,945	20,924	19,571	18,040	17,675
Fire, Property & Liability	34,352	33,785	3,851	3,283	16,828	12,713	2,918	701
Miscellaneous Financial 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
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 4.40: Premiums and Claims of Insurance Sector by Segment (%) (Q3 2024)

Source: CBB.

Chart 4.41: 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.

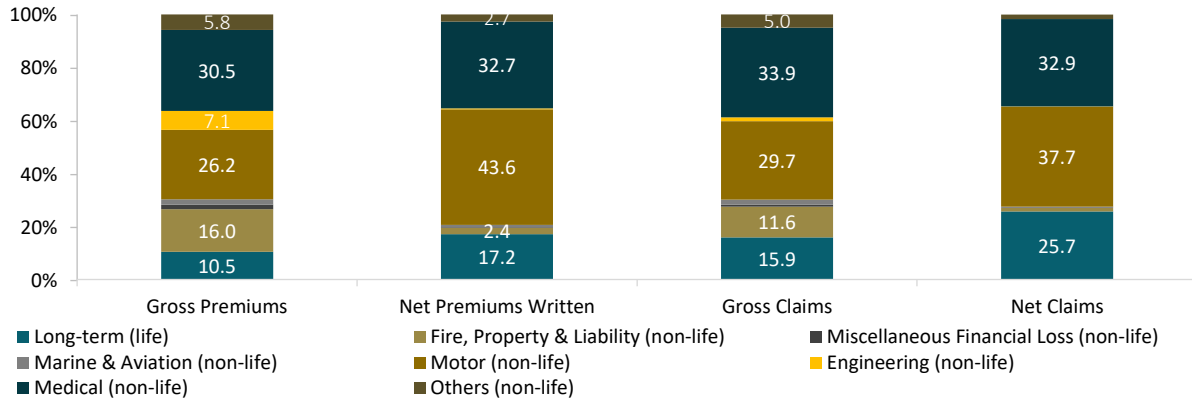
Table 4.22: Premiums and Claims for Conventional Insurance by Class

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	27,246	3,000	2,383	15,298	12,687	2,687	911
Miscellaneous Financial Loss	3,481	2,893	310	165	716	856	74	-2
Marine & Aviation	3,336	3,605	889	881	459	2,056	135	295
Motor	40,979	44,553	39,876	43,334	29,064	32,573	22,994	25,578
Engineering	8,349	12,157	145	348	2,548	1,527	(216)	121
Medical	42,562	51,949	27,064	32,501	29,930	37,176	17,796	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 4.42: 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 4.43: Concentrations of Premiums and Claims by Class for Local Insurance (Q3 2024)

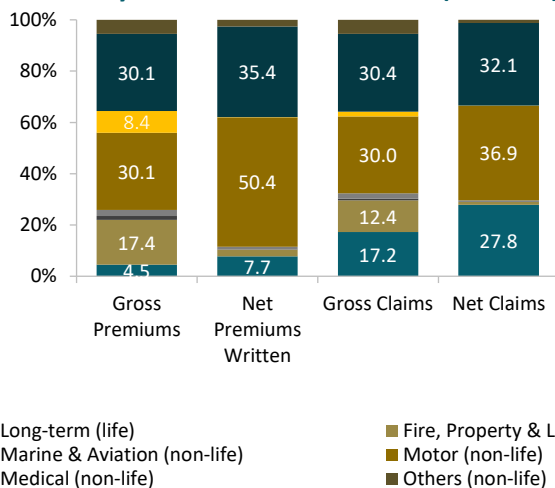
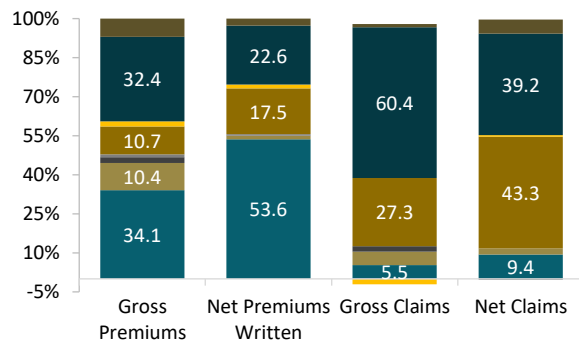


Chart 4.6: Concentrations of Premiums and Claims by Class for Overseas Insurance (Q3 2024)



Source: CBB

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.

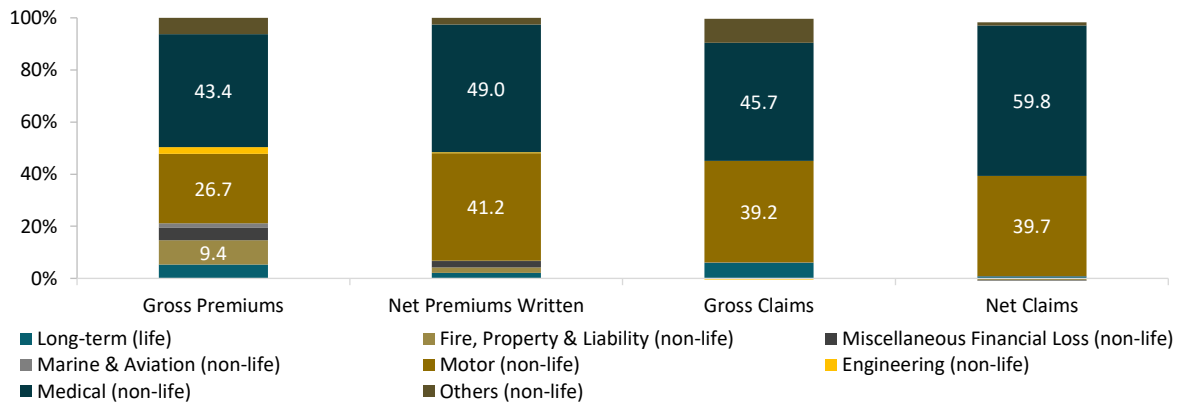
Table 4.24: Premiums and Claims by Class for Takaful Insurance Firms

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 4.44: 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

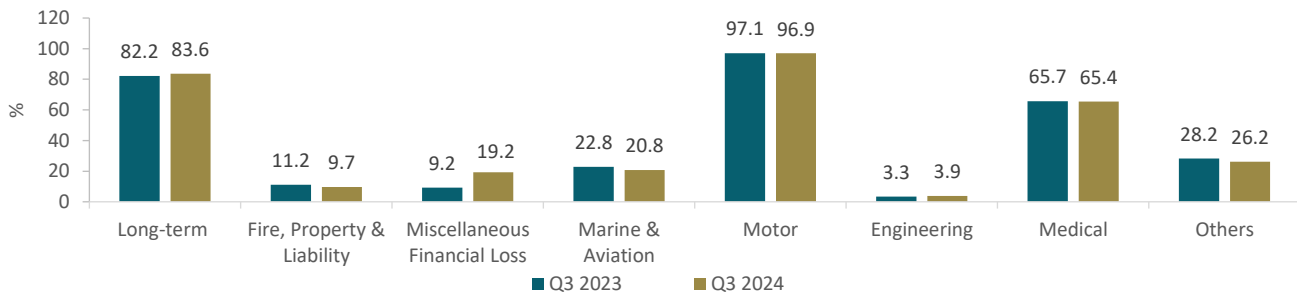
%	Retention Ratio ¹		Loss Ratio ²	
	Q3 2023	Q3 2024	Q3 2023	Q3 2024
Long-term	82.2%	83.6%	110.4%	112.2%
Fire, Property & Liability	11.2%	9.7%	70.0%	20.5%
Miscellaneous Financial Loss	9.2%	19.2%	11.5%	2.9%
Marine & Aviation	22.8%	20.8%	19.9%	8.1%
Motor	97.1%	96.9%	59.1%	60.8%
Engineering	3.3%	3.9%	-27.3%	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 4.45: 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.

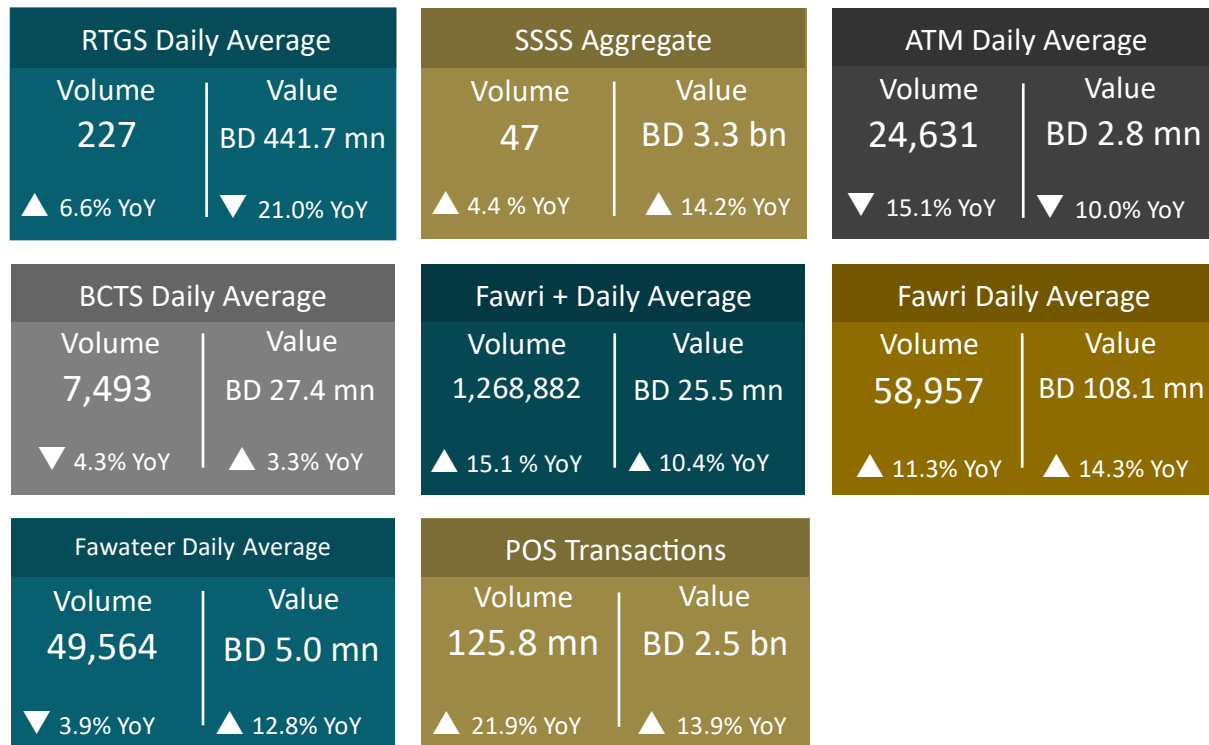
- Continuously working on achieving the objectives included in the Bahrain's Financial Sector Development Strategy 2022-2026 for the insurance sector.
- Actively seeking to advance local expertise within the insurance sector by making certain insurance courses mandatory for certain lines of business 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.

5

PAYMENT AND SETTLEMENT SYSTEMS, POINT OF SALE AND DIGITAL PAYMENTS

HIGHLIGHTS

H1 2025



- Daily average (volume and value) for ATM Transactions continued the decreasing trend for cash transactions by 15.1% and 10.0% compared to H1 2024.
- On a year-on-year basis, the daily average volume of cheques declined by 4.3%, while the corresponding value increased by 3.3% during the first half of 2025.
- The daily average volume and value of Fawri+ Transactions increased by 15.1 % and 10.4%, respectively, while daily average volume and value of Fawri Transactions recorded growth of 11.3% and 14.3%, respectively, in H1 2025 in comparison to H1 2024.
- Daily average of volume of Fawateer Transactions decreased by 3.9% while the daily average of value of Fawateer Transactions increased by 12.8% in H1 2025 in comparison to H1 2024.
- POS and Ecommerce transactions (volume and value) increased by 21.9% and 13.9% respectively in H1 2025.

5.1 Overview

The payment landscape has continued its transition from traditional systems to digital alternatives, with emerging technologies reshaping consumer behavior and market dynamics, supporting the drive towards greater autonomy, interoperability and flexibility in payments. As both 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 back in 2020 further accelerated this shift, as consumers increasingly preferred contactless and remote payment 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 core component of Bahrain'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 platforms and digital payments channels are other methods that enhance a customer's payment experience and ensure financial inclusion in Bahrain by providing payment solutions that support both 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.

Bahrain is repositioning itself to be a Financial Technology (FinTech) hub in the region offering conventional and Shariah-compliant FinTech solutions. The Kingdom encourages 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 regulatory and policy frameworks.

This chapter describes recent trends in FMIs, Payment and Settlement Systems, POS, and digital wallet transactions. It also highlights the recent trends and key developments in the FinTech industry and Financial Inclusion within the Kingdom, showcasing the efforts of the CBB and other stakeholders in advancing the payments and financial ecosystem.

5.2 Real Time Gross Settlement System (RTGS)

Is; furnishing, household equipment and routine household maintenance; health; transport; communication; recreation and culture; education; restaurants and hotels; and miscellaneous goods and services.

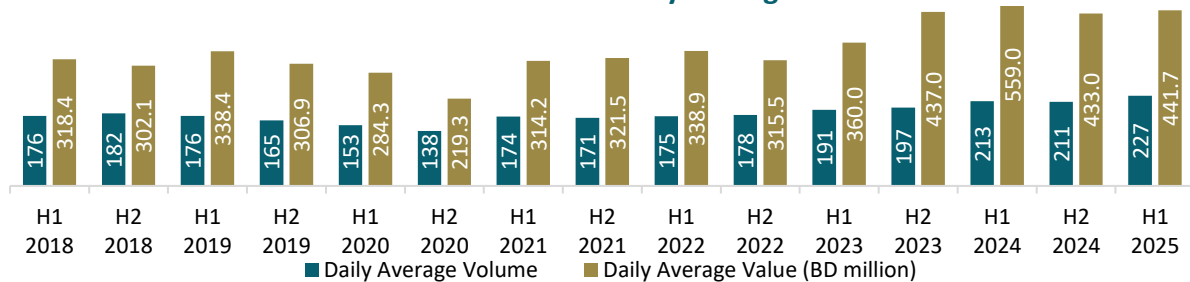
⁸ Chapters 3, 4, and 5 cover the period between Q4 2023 and Q4 2024, unless otherwise indicated.

⁸ Chapters 3, 4, and 5 do not contain sections on

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 H1 2025, total RTGS Bank Transactions reached 27,239 in volume and BD 53,007.7 million in value, representing an increase of 4.12% in volume and a decline of 22.91% in value compared to H1 2024.⁹

Chart 5.1: RTGS Bank Transfers Daily Average Volume and Value



Source: CBB.

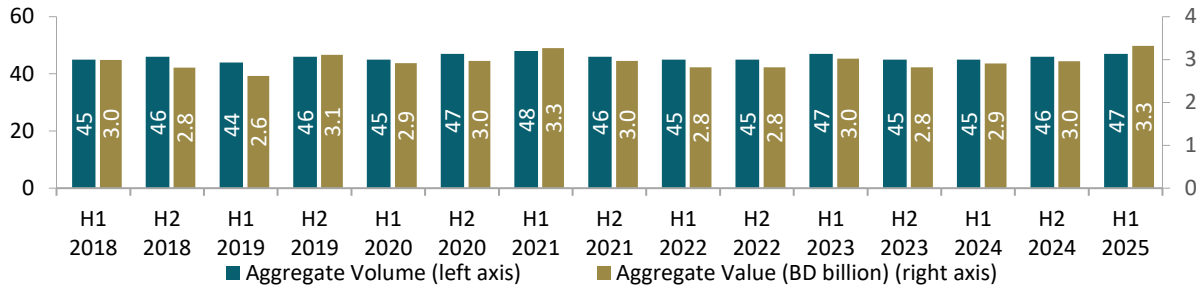
The daily average volume of Bank Transfers in H1 2025 increased by 6.6%, rising from 213 to 227 Transfers compared to H1 2024. In contrast, the daily average value of Bank Transfers decreased by 21.0%, from BD 559.0 million to BD 441.7 million over the same period.

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). 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 47 issues in H1 2025 in comparison to H1 2024. The aggregate value of issues in H1 2025 increased from BD 3.0 billion to BD 3.3 billion in comparison to H1 2024.

Chart 5.2: SSSS Aggregate Volume and Value



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 minimized by executing and settling transactions in the Real Time Gross Settlement (RTGS) System.

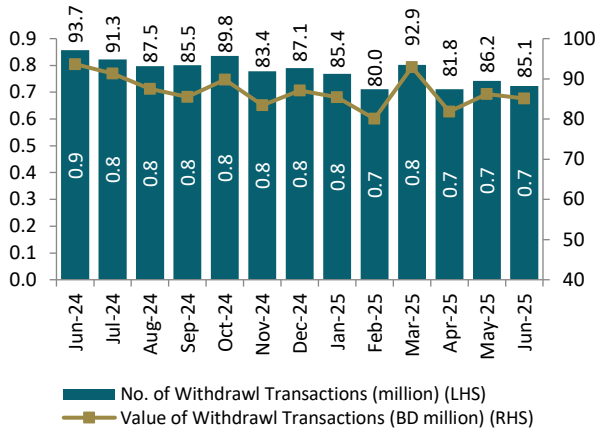
The SSSS continued to operate smoothly and efficiently during the period from 1st January until 30th June 2025.

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.

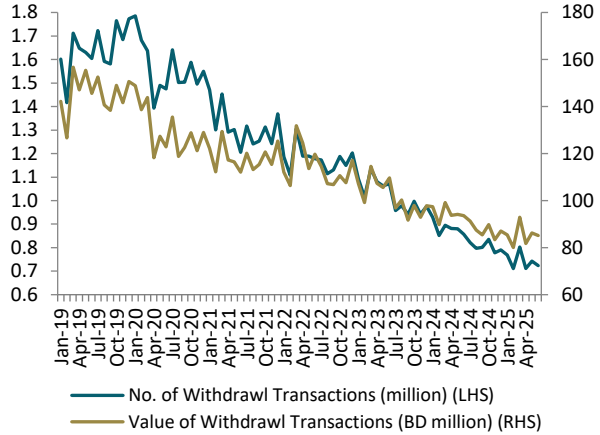
Total ATM transactions in H1 2025 reached 4.5 million in terms of volume and BD 511.5 million in terms of value indicating a 15.8% and 10.0% decrease respectively since H1 2025. Overall, there is a continued downward trend in both the value and the volume of ATM transactions (Chart 5.4). In H1 2025, monthly volume of ATM transactions ranged between 0.7 and 0.8 million transactions while the value of ATM transactions ranged between BD 80.0 million and BD 92.9 million.

Chart 5.3: Number and Value of ATM Transactions, June 2024 – June 2025



Source: BENEFIT.

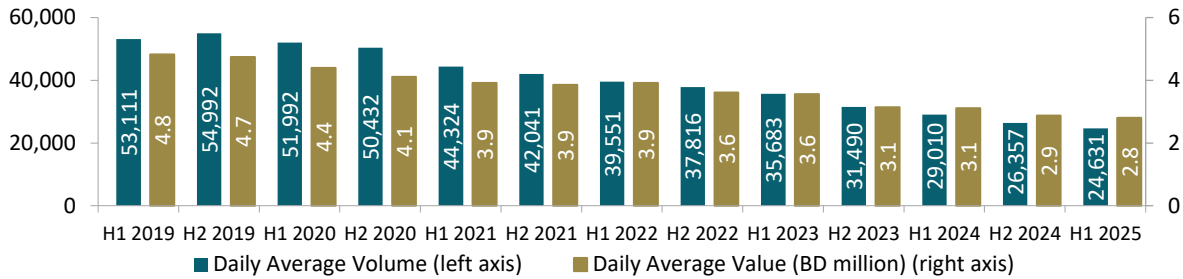
Chart 5.4: Number and Value of ATM Transactions



Source: BENEFIT.

The daily average volume of ATM Transactions for H1 2025 reached 24,631 transactions per day (a 6.8% decrease compared to H2 2024 and 15.1% decrease compared to H1 2024). The daily average value of ATM Transactions for H1 2025 reached BD 2.8 million (a 2.6% decrease compared to H2 2024 and 10.0% decrease compared to H1 2024).

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 H1 2025, the total volume of cheques declined by 6.7% compared to H1 2024, reaching 899,125 cheques, while the total value recorded a modest increase of 0.8% to BD 3,290.5 million.

The daily average volume of cheques fell by 4.3%, from 7,832 cheques in H1 2024 to 7,493 cheques in H1 2025. Conversely, the daily average value of cheques rose by 3.3%, reaching BD 27.4 million from BD 26.5 million during the same period in the previous year.

The BCTS continued to operate smoothly and efficiently, demonstrating its steadiness, from 1st January until 30th June 2025. 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 Q1, 2025 and Q2, 2025, the volume and value of returned cheques decreased from 2.3% to 2.2% and from 2.9% to 2.6% respectively.

Chart 5.6: BCTS Daily Average Volume and Value

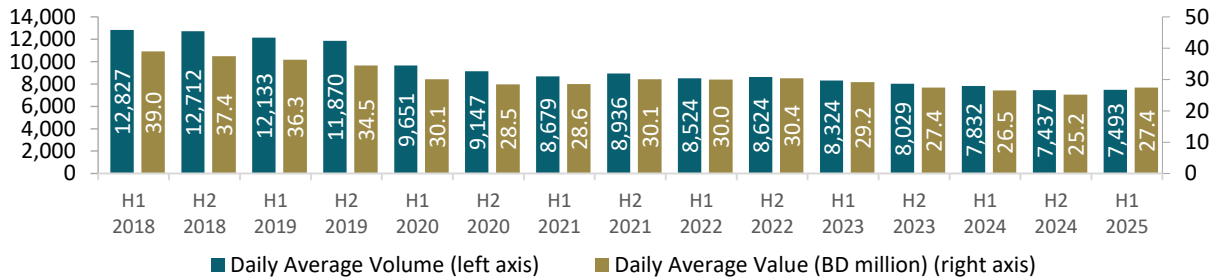
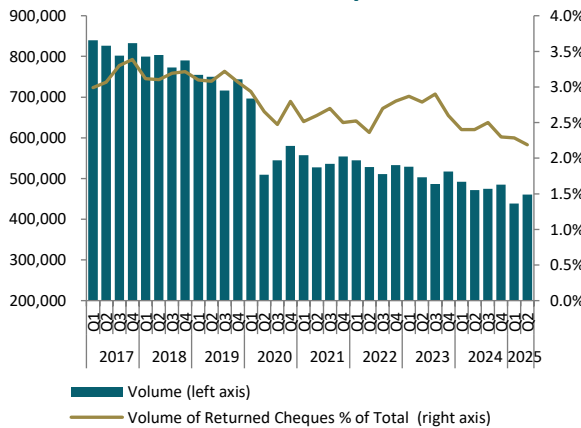
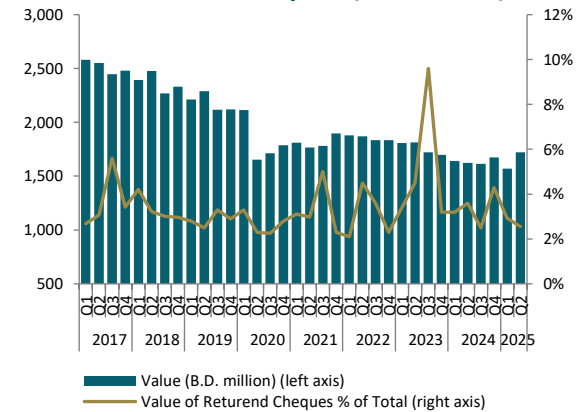


Chart 5.7: Volume of Issued Cheques and % of Returned Cheques



Source: BENEFIT.

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



Source: BENEFIT.

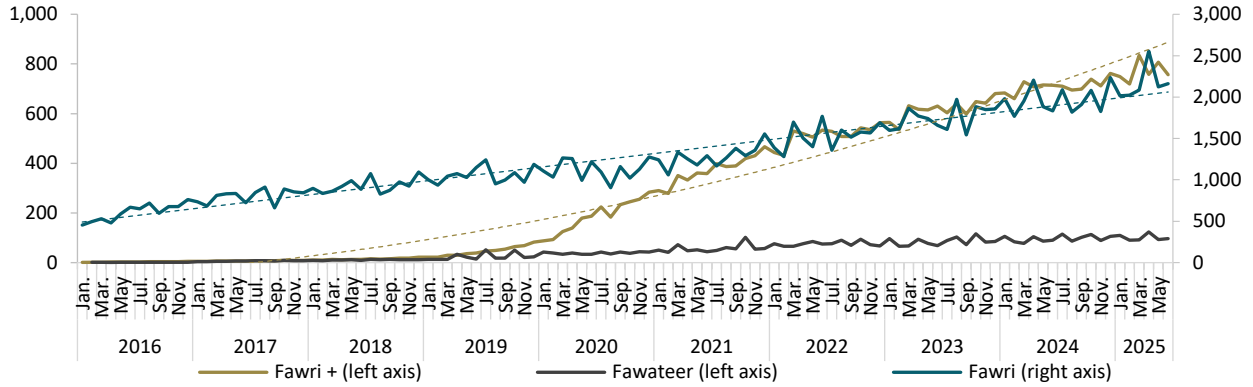
5.6 Electronic Fund Transfer System (EFTS) including Electronic Bill Presentment and Payment (EBPP) System

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 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-four (24) 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 4,623.4 million for H1 2025, increasing by 9.8% compared to H1 2025. The total value of Fawri transfers increased by 11.6% for H1 2025 reaching BD 12,967.0 million compared to H1 2024. In addition, the value of Fawateer Payments increased by 10.0% from 548.5 million in H1 2024 to BD 603.4 million in H1 2025.

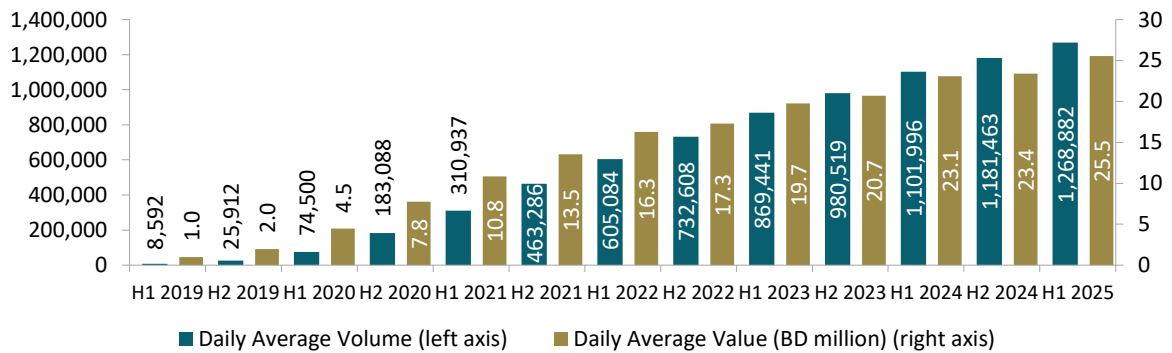
Chart 5.9: EFTS Fawri, Fawri+, and Fawateer Value (BD million)



Source: BENEFIT.

The daily average volume of Fawri+ Transfers of H1 2025 when compared to H1 2024 increased by 15.1% from 1,101,996 transfers to 1,268,882 transfers. The daily average value of Fawri+ Transfers increased by 10.4% in H1 2025 when compared to H1 2024 from BD 23.1 million to BD 25.5 million.

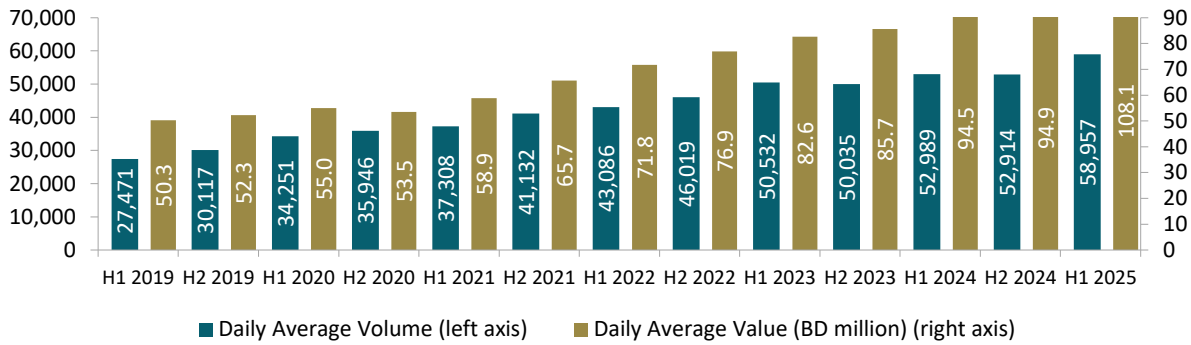
Chart 5.10: EFTS Fawri+ Daily Average Volume and Value



Source: BENEFIT.

The daily average volume of Fawri transfers in H1 2025 increased by 11.3% from 52,989 Transfers in H1 2024 to 58,957 Transfers. In addition, the daily average value of Fawri Transfers increased by 14.3% in H1 2025, from BD 94.5 million to BD 108.1 million over the same period.

Chart 5.11: EFTS Fawri Daily Average Volume and Value

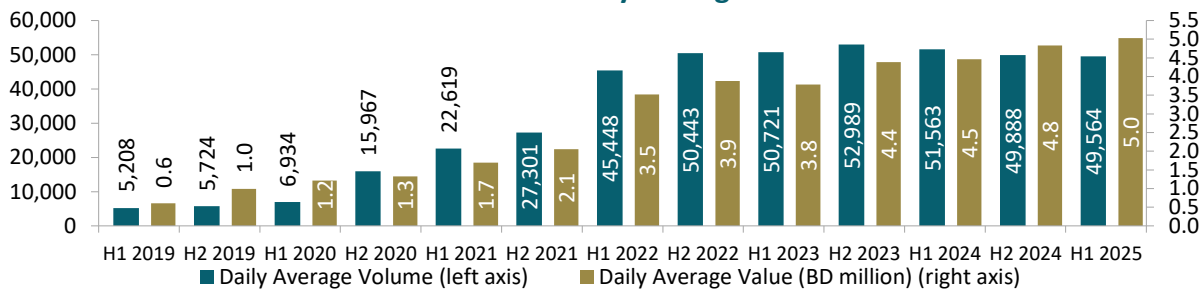


Source: BENEFIT.

The daily average volume of Fawateer Payments for the first half of 2025 decreased by 3.9% from 51,563 payments in H1 2024 to 49,564 payments in H1 2025. Whereas the daily average value of Fawateer reached BD 5.0 million in H1 2025 increasing by 12.8% compared to BD 4.5 million in H1 2024.

The EFTS, including EBPP continued to operate in a safe, efficient, resilient and reliable manner from 1st January 2025 to 30th June 2025. 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
2025	H1	99.3	26.5	125.8	2,049.3	500.7	2,550.1

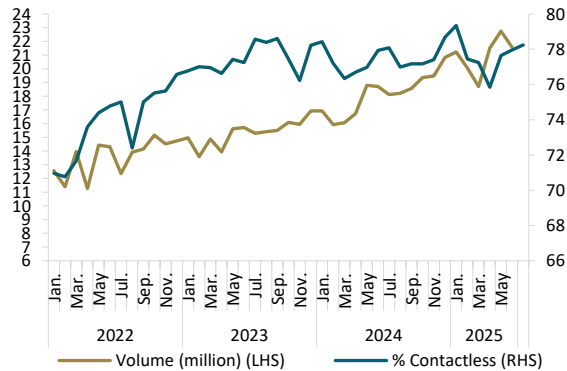
Source: CBB.

The total number of transactions for H1 2025 reached 125.8 million transactions (21.9% increase compared to H1 2024). Similarly, the total value of transactions for H1 2025 increased to BD 2,550.1 million (13.9% increase compared to H1 2024). Both the volume and value of cards issued in Bahrain had increased by 18.6% and 15.8% respectively in H1 2025 compared to H1 2025. The volume and value of transactions by cards issued outside Bahrain showed an increase of 36.6% and 6.6% respectively over the same period.

Chart 5.13 shows the monthly POS Transactions in terms of volume and value which can help identify any cyclicity in 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.

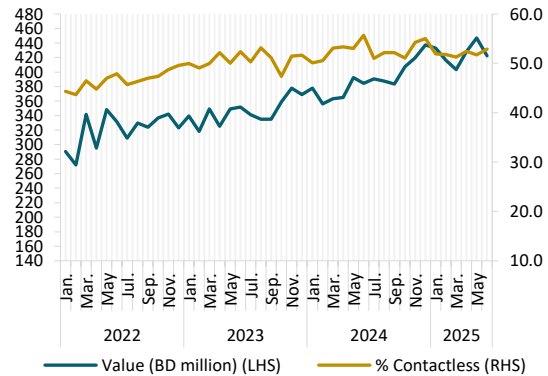
Contactless adoption continues to accelerate in the Kingdom due to the change in consumer spending habits. The percentage of contactless transactions in terms of volume increased from 70.8% in January 2022 to 78.2% in June 2025. Similarly, in terms of value, the percentage of contactless transactions increased from 44.3% in January 2022 to 52.9% in January 2025.

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



Source: CBB.

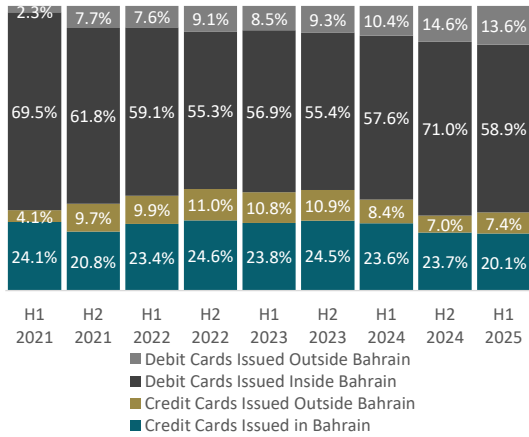
Chart 5.14: Value of Monthly POS and E-Commerce Transactions (BD million)



Source: CBB.

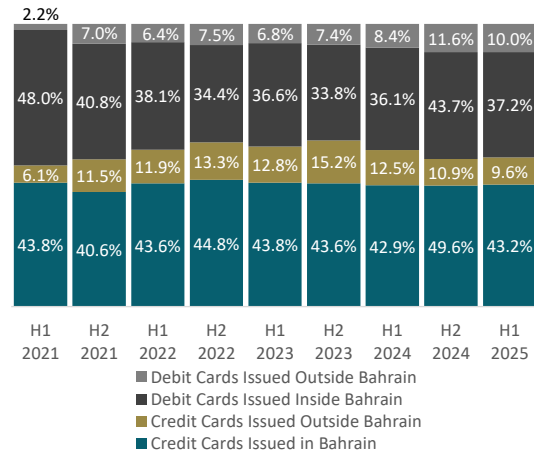
As of H1 2025, 79.0% of the volume of transactions and 93.3% of the value of transactions came from cards issued inside Bahrain (Chart 5.15 and Chart 5.16). The increase in share of cards issued outside Bahrain which is noticeable from H2 2021 is due to increase in number of foreigners visiting Bahrain. The volume of transactions remained to be from debit cards (representing 72.5% in H1 2025) while most of the value of transactions were from credit cards (representing 27.5% in H1 2025).

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 5.17 and 5.18 show the top 5 sectors in terms of volume and value of transactions for H1 2025. In terms of volume the top 5 sectors represented 42.4% of all the transactions for the same period and were: restaurants (36.7 million), supermarkets (34.0 million), government services (4.6 million), automobiles and truck dealers (11.0 million), and health (6.0 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 54.2%, 68.3%, 42.6%, 67.8% and 67.2% of the transactions respectively.

In terms of value, the top 5 sectors represented 35.4% of all transactions and were: government services (685.6 million), restaurants (256.0 million), supermarkets (277.2 million), telecommunications (244.4 million), automobile and truck dealers (190.0 million). For government services, 86.3% of the value of transactions were made by credit cards issued inside Bahrain. As for restaurants, supermarkets, telecommunications, automobile and truck dealers, 40.2%, 59.3%, 82.0, and 53.0% 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 – H1 2025 (million)

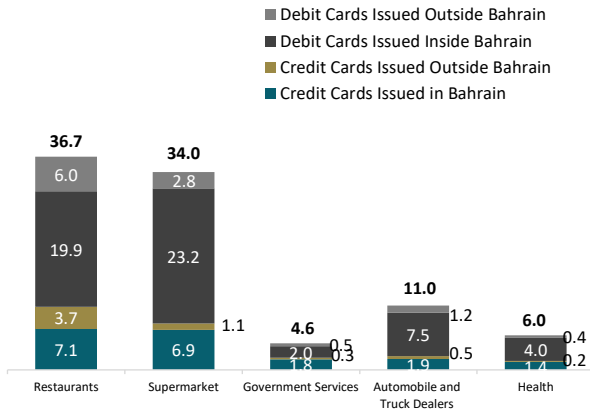
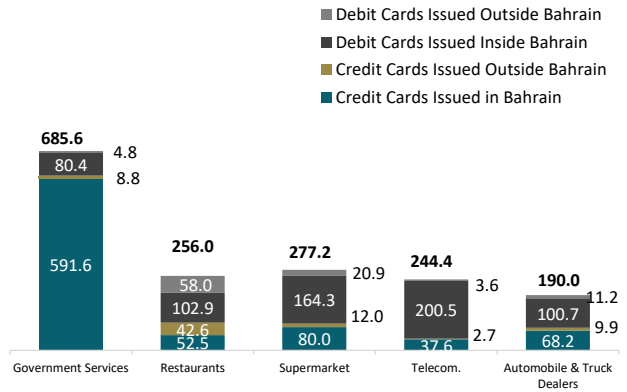


Chart 5.18: Top 5 Sectors by Value of POS and E-Commerce –H1 2025 (BD million)



Source: CBB.

Charts 5.19 and 5.20 show the monthly value of POS transactions from January 2022 to June 2025 for selected sectors.

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

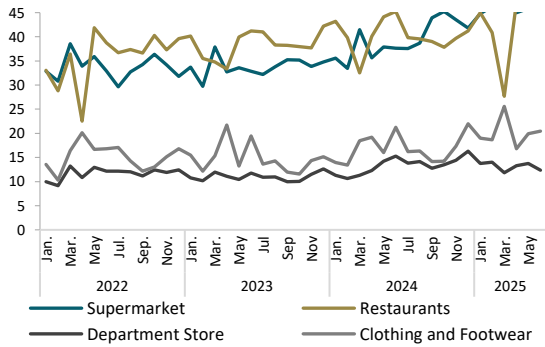
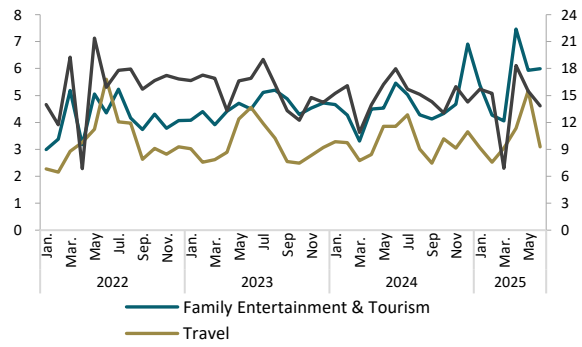


Chart 5.20: Monthly Value of POS and E-Commerce of Selected Indicators (BD million)



Source: CBB

Charts 5.21 and 5.22 show the top 5 countries in terms of volume and value of foreign transactions for H1 2025. In terms of volume the top 5 countries represented 93.6% of total foreign transactions and were: Saudi Arabia (14.1 million), United States (6.2 million), Kuwait (1.3 million), United Arab Emirates (1.2 million), and Qatar (2.0 million).

Chart 5.21: Top 5 Nationalities by Volume of POS and E-Commerce – H1 2025 (million)

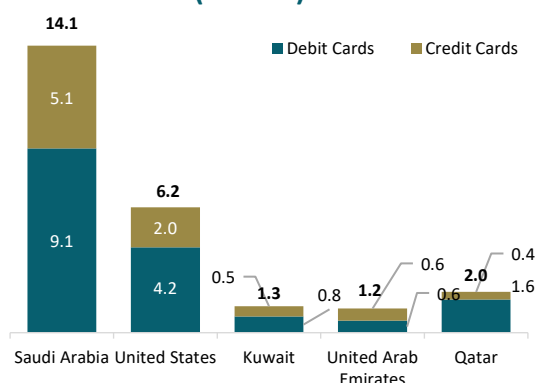
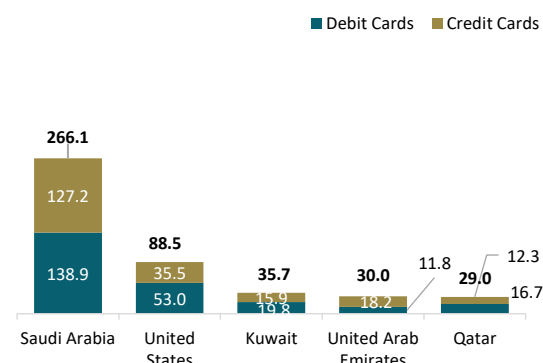


Chart 5.22: Top 5 Sectors by Value of POS and E-Commerce – H1 2025 (BD million)



Source: CBB.

In terms of value, the top 5 countries represented 89.7% of the total value of foreign transaction and were: Saudi Arabia (BD 266.1 million), United States (BD 88.5 million), Kuwait (BD 35.7 million), United Arab Emirates (BD 30.0 million), and Qatar (BD 29.0 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) have been increasing significantly as provided in Charts 5.23 and 5.24, with an overall 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)

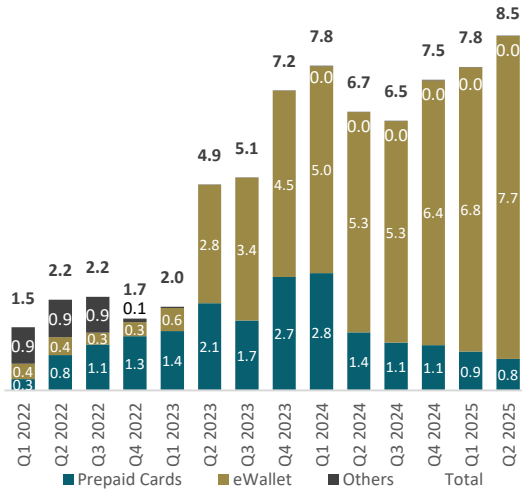
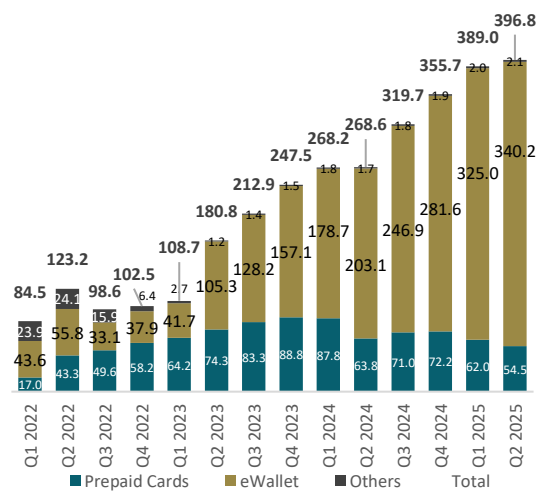


Chart 5.24: Value of Prepaid and E-Wallet Transactions (BD millions)

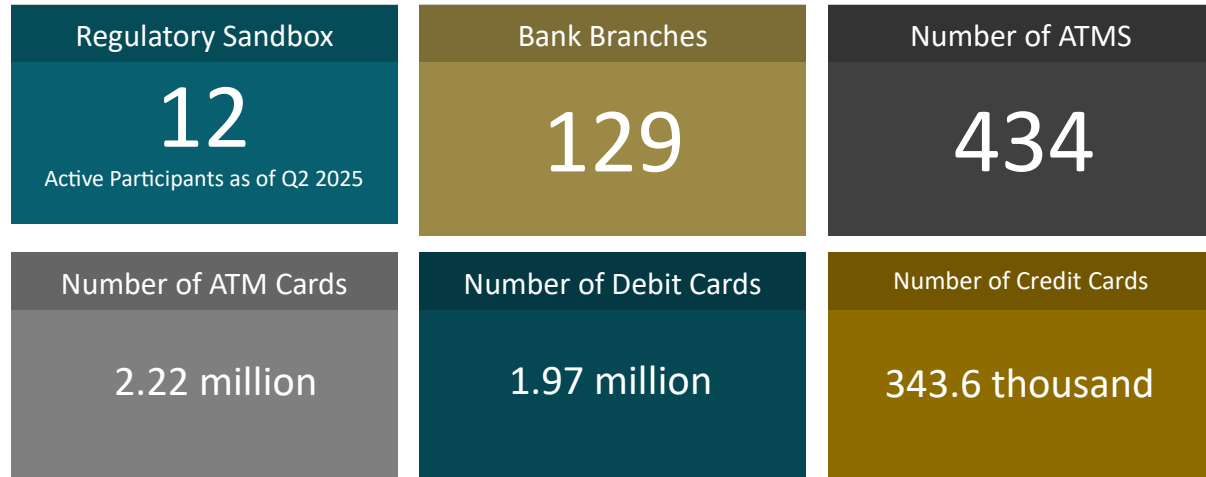


Source: CBB.

6

FINTECH, INNOVATION AND FINANCIAL INCLUSION

HIGHLIGHTS



- The CBB continues to advance regulatory reforms aimed at fostering innovation in the financial services sector through FinTech solutions. It actively supervises companies participating in the Regulatory Sandbox and closely monitors both technical and regulatory developments within the FinTech landscape

6.1 Overview

Bahrain positions itself to be a Financial Technology (FinTech) hub in the region, offering innovative FinTech solutions. The Kingdom is encouraging digital transformation and the adoption of new technologies to create a more efficient financial services sector.. 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 established a dedicated FinTech & Innovation team that works with other relevant teams in the CBB, 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

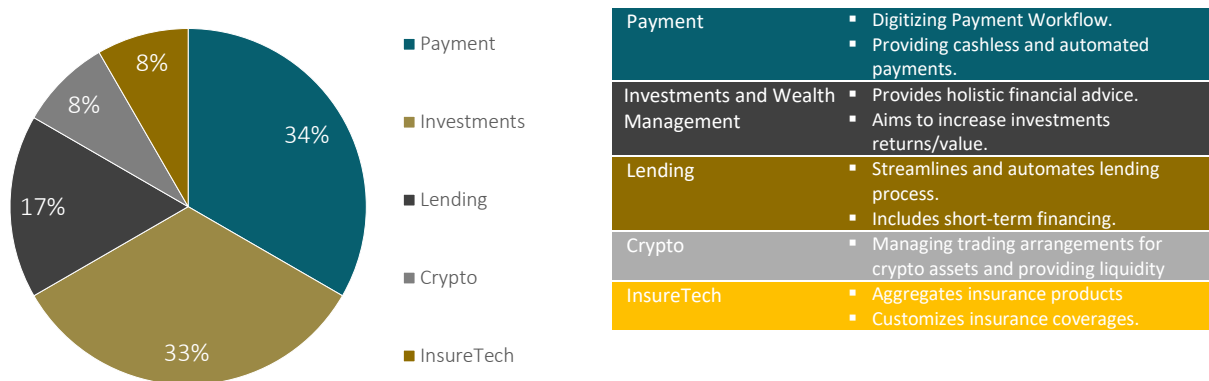
business in the region.¹⁰ The sandbox provides authorized companies with the opportunity to test and experiment their innovative financial solutions freely until they are commercially viable. The Sandbox focuses on the following: Innovation, Customer benefit, Identification of Major Risks, Compliance with CDD and AML/CFT Requirements, and Confidentiality Requirements.

The FinTech team is responsible for 1) participating in Regulatory Sandbox Committee decisions regarding the approval process to join 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 4) collaborate with other regulators and policy makers to exchange ideas, share experiences and learnings.

The CBB updated its 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 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 the end of June 2025, there are 12 companies actively participating in the Regulatory Sandbox, testing a wide range of innovative solutions.

Chart 6.25: Regulatory Sandbox Statistics- Company Types (%) June 2025



Source: CBB

Table 6.2: Regulatory Sandbox Statistics- Classification by Region (June 2025)

Region	No. of Sandbox Companies
Bahrain	4
Saudi	5
Egypt	1
United Kingdom	2
Total	12

Source: CBB

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) being its first participants, while the other GCC Central Banks joined progressively thereafter.

During 2025 (up to June 2025), the total number of outgoing customer transactions sent through AFAQ was 9231 transactions with a total value of BHD 55.9 million. On average the monthly outgoing retail payments volume is 1539 transactions at an average value of BHD 9.3 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
<i>Number of Branches per 100,000 in population</i>	11.5	13.7	11.9	10.1	9.7	8.5	8.12
Number of ATMs	479	515	505	461	476	464	434
<i>Number of ATMs per 100,000 in population</i>	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
<i>Number of Accounts per 1,000 in population</i>	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 SOUNDNESS INDICATORS (FSIs)

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

Indicator	Q2 2024	Q4 2024	Q2 2025
Capital Adequacy			
CAR (%) *	20.4	21.2	20.3
Tier 1 CAR (%) *	19.0	19.8	18.9
Assets-to-Capital (Times) *	9.6	9.3	9.8
Asset Quality			
NPLs (% of Total Loans)	3.0	2.8	2.6
Specific Provisions (% of NPLs)	59.1	53.5	54.9
Loan Concentration (Share of Top Two Sectors) (%)	34.6	34.3	36.5
Real Estate/ Construction Exposure (%)	21.6	21.6	21.6
Earnings			
ROA (%)	0.7	1.3	0.5
ROE (%) *	6.2	11.2	5.0
Net Interest Income (% of Total Income) **	69.5	67.2	59.8
Net Fees & Commissions (% of Total Income) **	11.8	12.4	13.0
Operating Expenses (% of Total Income)	45.1	48.2	48.7
Liquidity			
Liquid Assets (% of Total Assets)	25.6	26.8	26.3
Loan-Deposit Ratio (%)	58.8	62.2	62.5

* Locally Incorporated Banks only.

** Conventional Banks only.

Source: CBB.

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

Indicator	Conventional Retail			Conventional Wholesale		
	Q2 2024	Q4 2024	Q2 2025	Q2 2024	Q4 2024	Q2 2025
Capital Adequacy						
CAR (%) *	32.9	32.0	29.7	16.7	16.9	16.2
Tier 1 CAR (%) *	31.8	30.9	28.6	15.2	15.4	14.9
Assets-to-Capital (Times) *	6.3	6.4	6.8	10.5	10.2	10.6
NPLs Net Provisions to Capital (%) *	8.7	7.6	7.0	3.8	3.8	3.5
Asset Quality						
NPLs (% of Total Loans)	4.0	3.3	2.9	2.2	2.0	1.8
Specific Provisions (% of NPLs)	60.6	57.3	56.5	63.7	60.3	62.5
Net NPLs (% of Net Loans)	1.6	1.4	1.3	0.8	0.8	0.7
Loan Concentration (Share of Top Two Sectors) (%)	30.3	30.5	32.3	45.8	46.6	48.5
Real Estate/ Construction Exposure (%)	28.7	28.6	28.4	16.0	15.5	15.4
Earnings						
ROA (%)	0.9	1.8	0.7	0.6	1.0	0.4
ROA Local Banks (%)	0.9	1.7	0.9	0.3	0.6	0.3
ROA Overseas Banks (%)	0.9	1.8	0.6	0.9	1.5	0.5
ROE (%) *	5.9	11.1	6.4	3.8	7.1	3.8
Net Interest Income (% of Total Income)	80.6	80.6	76.3	63.5	59.3	49.6
Net Fees & Commissions (% of Total Income)	8.7	9.0	8.8	14.0	15.5	15.9
Operating Expenses (% of Total Income)	41.8	40.3	43.6	42.7	49.6	51.5
Liquidity						
Liquid Assets (% of Total Assets)	37.8	40.8	39.1	21.1	22.0	21.8

Liquid Assets (% of Short-Term Liabilities)	51.1	52.7	50.2	27.6	29.7	28.5
Loan-Deposit Ratio (%)	66.3	66.1	65.8	63.7	67.3	67.3
Non-Bank Deposits (% of Total Deposits)	66.2	66.4	59.7	44.5	45.5	44.3

* *Locally Incorporated Banks only.*

Source: CBB.

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

Indicator	Islamic Retail			Islamic Wholesale		
	Q2 2024	Q4 2024	Q2 2025	Q2 2024	Q4 2024	Q2 2025
Capital Adequacy						
CAR (%) *	21.3	24.6	23.6	20.8	19.6	20.0
Tier 1 CAR (%) *	19.7	23.0	21.7	19.6	18.9	19.4
Assets-to-Capital (Times) *	11.1	10.0	10.6	9.3	9.6	10.6
NPFs Net Provisions to Capital (%) *	10.4	11.6	12.1	0.6	1.0	1.0
Asset Quality						
NPFs (% of Total Facilities)	4.7	4.3	4.5	0.8	1.1	0.9
Specific Provisions (% of NPFs)	51.5	42.8	45.8	50.9	43.9	45.4
Net NPFs (% of Net Facilities)	2.4	2.6	2.6	0.4	0.6	0.5
Facilities Concentration (Share of Top Two Sectors) (%)	35.5	32.6	31.8	62.6	55.3	56.3
Real Estate/ Construction Exposure (%)	32.3	29.8	29.7	16.0	16.1	11.8
Earnings						
ROA (%)	0.8	1.5	0.7	0.7	1.3	0.7
ROE (%) *	9.9	16.5	8.3	6.9	13.1	6.8
Net Income from Own Funds, Current Accounts and Other Banking Activities (% of Operating Income)	110.5	101.4	101.	123.2	145.7	152.0
Net income from Jointly Financed Accounts and Mudarib Fees (% of Operating Income)	22.1	33.6	46.9	23.6	41.3	17.8
Operating Expenses (% of Total Income)	48.6	50.3	48.2	58.3	59.9	53.4
Liquidity						
Liquid Assets (% of Total Assets)	27.2	24.8	24.8	18.1	23.8	22.1
Facility-Deposit Ratio (%)	48.8	56.1	55.9	27.1	29.3	31.7
Current Accounts from Non-Banks (% of Non-Capital Liabilities, excl. URIA)	34.6	30.4	33.0	8.5	6.8	8.2

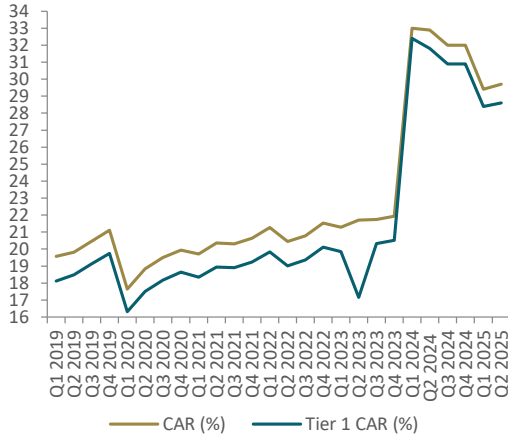
* *Locally Incorporated Banks only.*

Source: CBB.

ANNEX 2: SELECTED FSIs GRAPHS

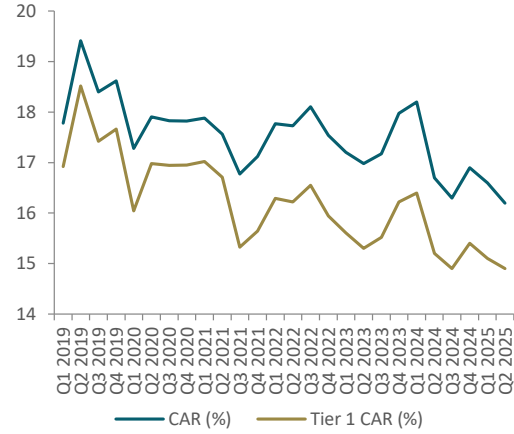
A. Capital Adequacy

Annex 2 Graph 1: Conventional Retail



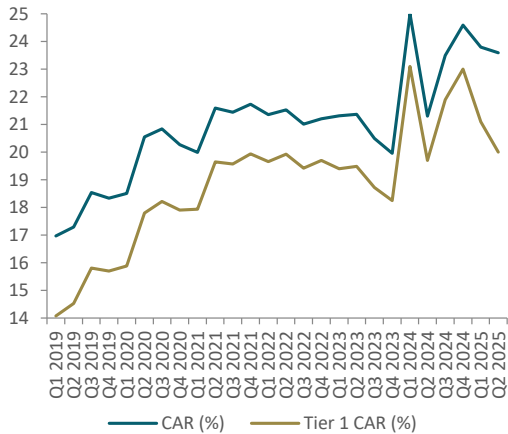
Source: CBB.

Annex 2 Graph 2 : Conventional Wholesale



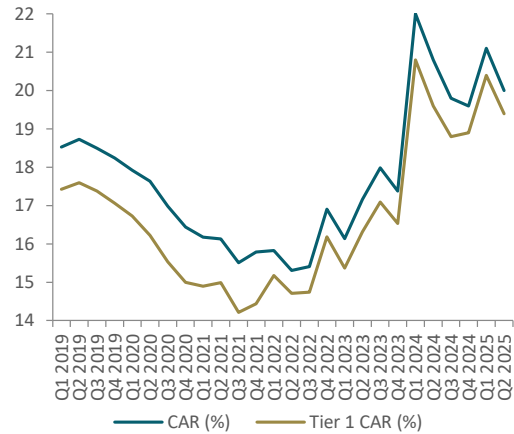
Source: CBB.

Annex 2 Graph 3: Islamic Retail



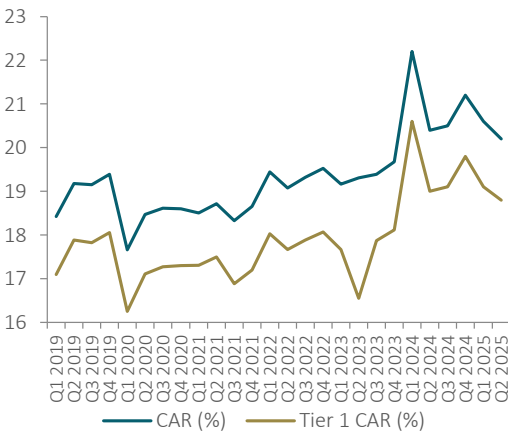
Source: CBB.

Annex 2 Graph 4: Islamic Wholesale



Source: CBB.

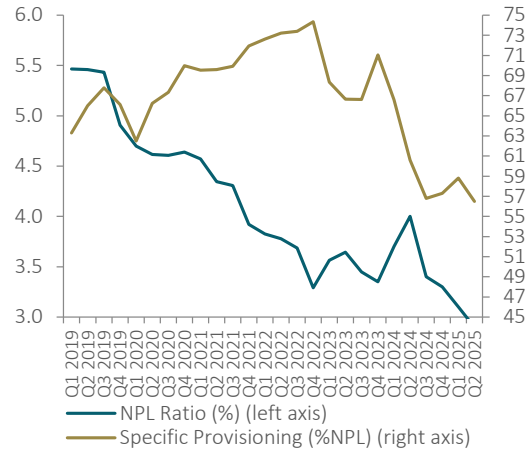
Annex 2 Graph 5: All Banking



Source: CBB.

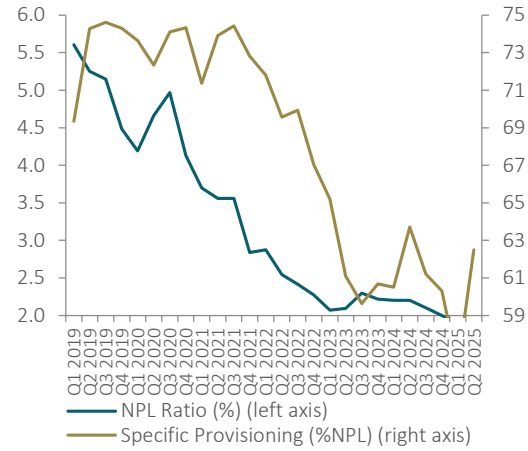
B. Asset Quality

Annex 2 Graph 1: Conventional Retail



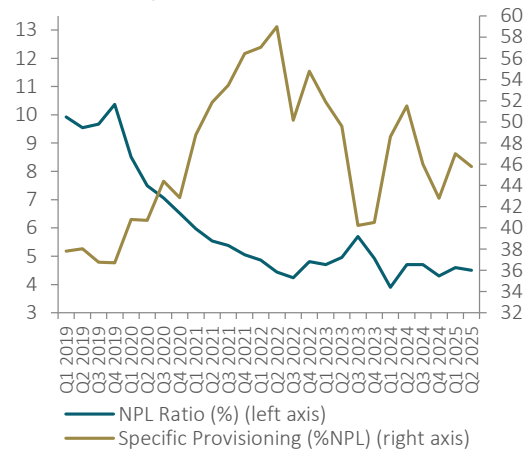
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Annex 2 Graph 2: Conventional Wholesale



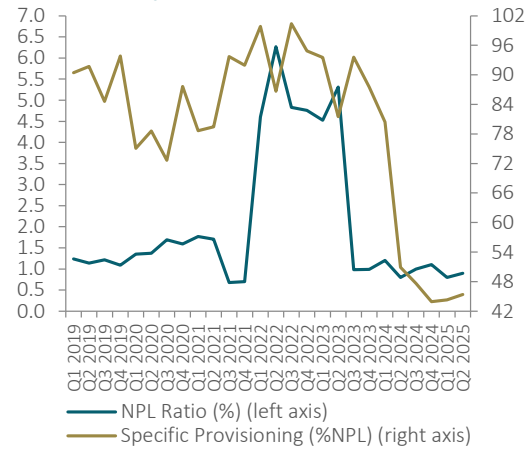
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Annex 2 Graph 3: Islamic Retail



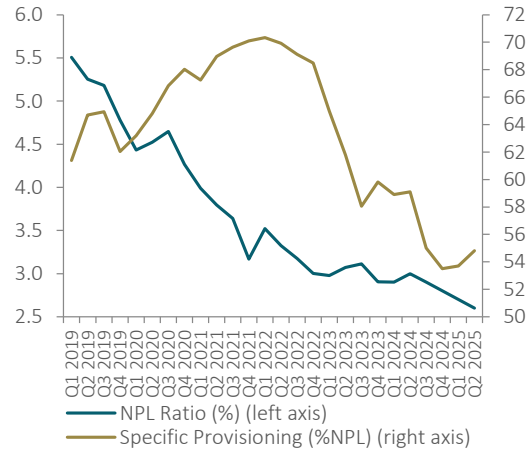
Source: CBB.

Annex 2 Graph 4: Islamic Wholesale



Source: CBB.

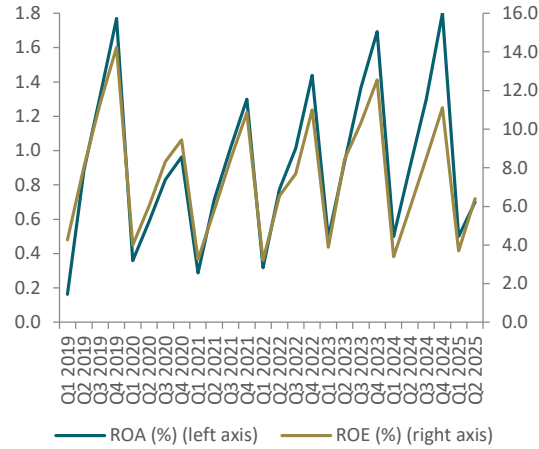
Annex 2 Graph 5: All Banking



Source: CBB.

C. Profitability

Annex 2 Graph 1: Conventional Retail



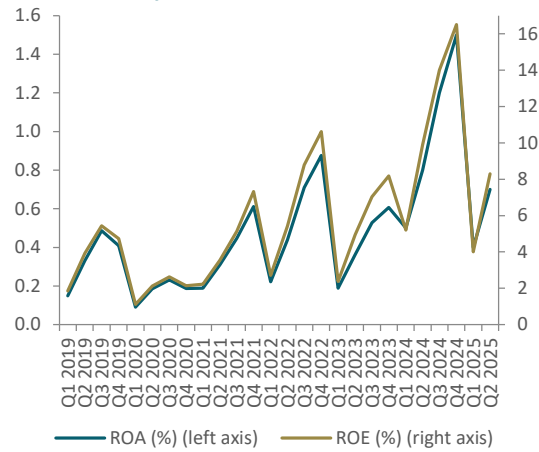
Source: CBB.

Annex 2 Graph 2: Conventional Wholesale



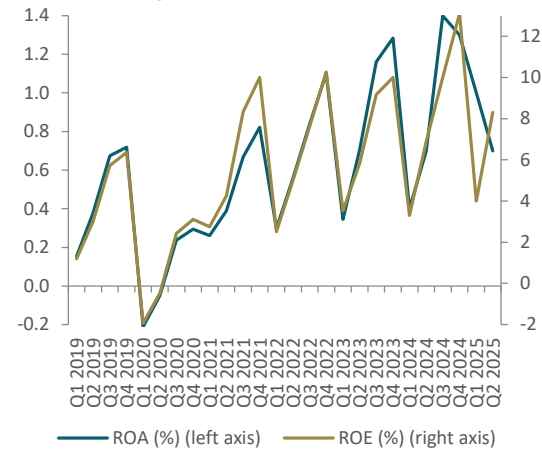
Source: CBB.

Annex 2 Graph 3: Islamic Retail



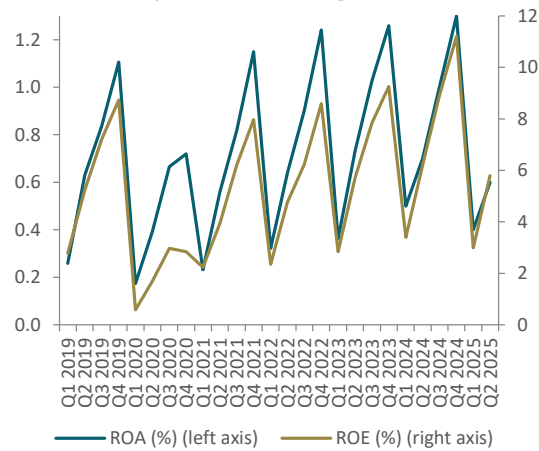
Source: CBB.

Annex 2 Graph 4: Islamic Wholesale



Source: CBB.

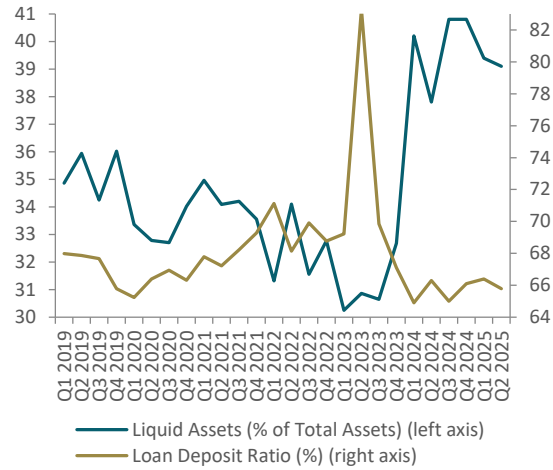
Annex 2 Graph 5: All Banking



Source: CBB.

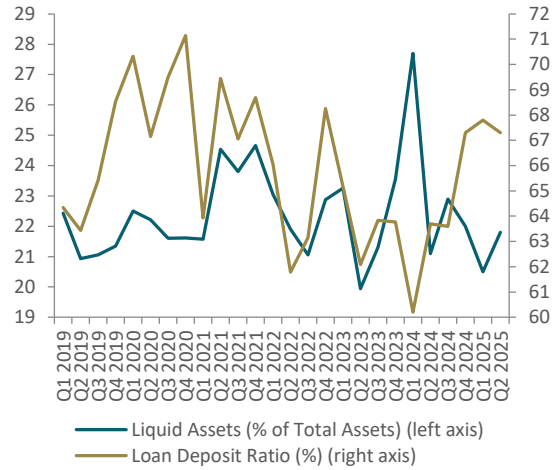
D. Liquidity

Annex 2 Graph 1: Conventional Retail



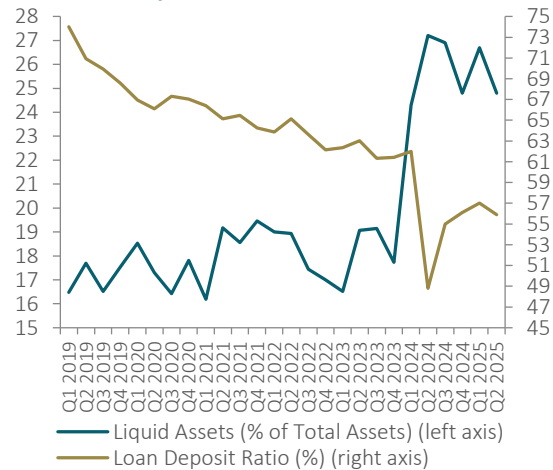
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Annex 2 Graph 2: Conventional Wholesale



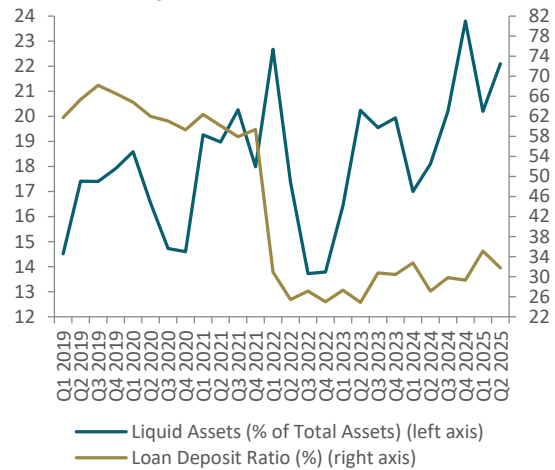
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Annex 2 Graph 3: Islamic Retail



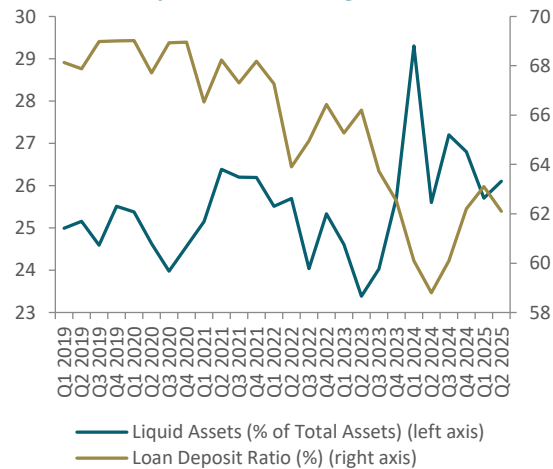
Source: CBB.

Annex 2 Graph 4: Islamic Wholesale



Source: CBB.

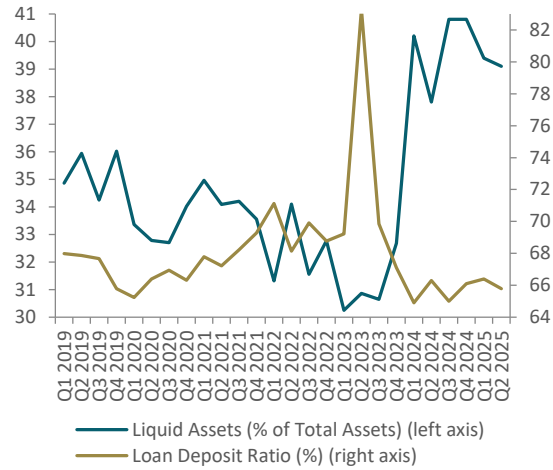
Annex 2 Graph 5: All Banking



Source: CBB.

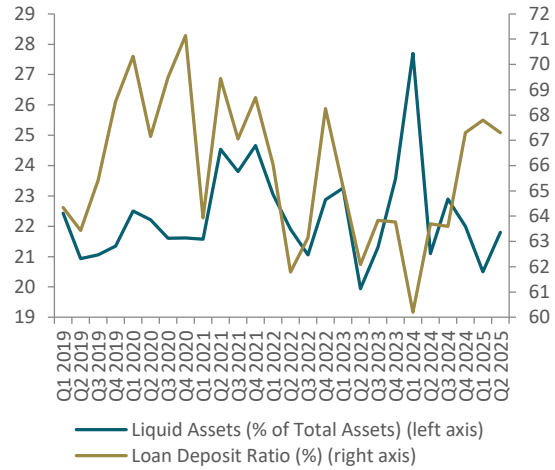
D. Liquidity

Annex 2 Graph 1: Conventional Retail



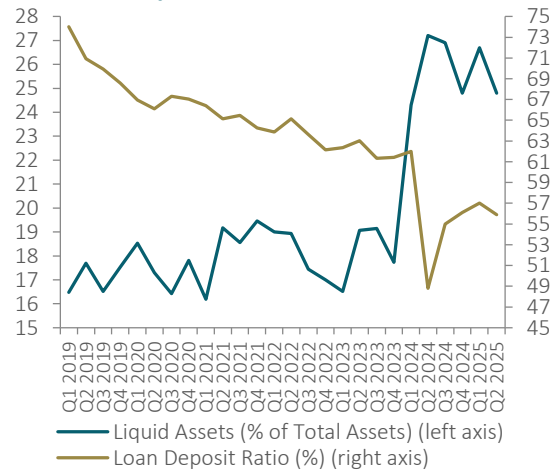
Source: CBB.

Annex 2 Graph 2: Conventional Wholesale



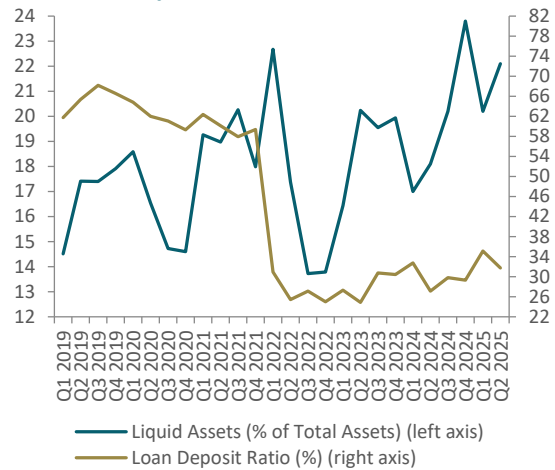
Source: CBB.

Annex 2 Graph 3: Islamic Retail



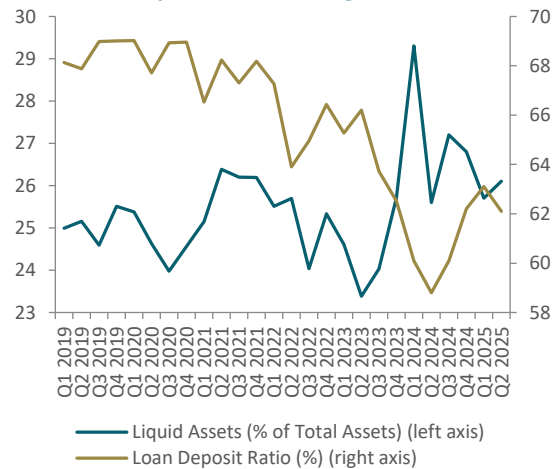
Source: CBB.

Annex 2 Graph 4: Islamic Wholesale



Source: CBB.

Annex 2 Graph 5: All Banking



Source: CBB.

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