

Last Updated: March 2024

Bahrain's Financial Services sector is the largest non-oil sector in the economy. The sector contributes 17.8% towards real GDP in 2023. The sector covers many diverse types of transactions in such areas as consumer finance, banking and insurance. It also covers a broad spectrum of investment funding models, including securities. The financial services sector has grown strongly, fueled in part by the rapid emergence and adoption of fintech solutions.



Sector Opportunities & Trends

01. Sustainable finance

Financial service providers play a key role in achieving the Kingdom's SDG and net-zero targets by leveraging sustainable finance and integrating ESG initiatives. This involves embracing green finance options like green bonds and ESG-linked loans, as well as investing in green projects. Increasing financial intermediation for underserved small and medium-sized enterprises (SMEs) offers a quick ESG win, and fosters inclusive growth, economic resilience and sustainable development. Through these actions, financial institutions contribute to the Kingdom's net-zero goals while meeting the growing demand for socially responsible investment options.

02. Internal digital transformation

Adopting a customer-centric approach, leveraging customer data analytics and integrating general Artificial Intelligence and Open Banking could enable financial institutions to enhance operational efficiency, anticipate and fulfill client needs, automate processes, detect and prevent fraud, provide personalized financial advice, improve risk management and deliver enhanced customer service. Ultimately, digital transformation enhances service delivery, boosts customer satisfaction and provides a competitive advantage for financial services institutions.

03. Cybersecurity

Cybersecurity is a critical concern for the financial services industry, as financial institutions are a frequent target for cyberattacks. Financial institutions need to invest in robust cybersecurity measures, including firewalls, encryption and multi-factor authentication, to protect against cyber threats and ensure the security of customer data.

04. Digital assets

The growth of the cryptocurrency market has compelled banks to create new financial architecture with digital assets and introduce new services for trading. The application of digital asset technology has significant implications on cross-border trading and new capabilities in smart contracts to transform the execution of multiparty agreements, insurance claims processing and supply chain management.

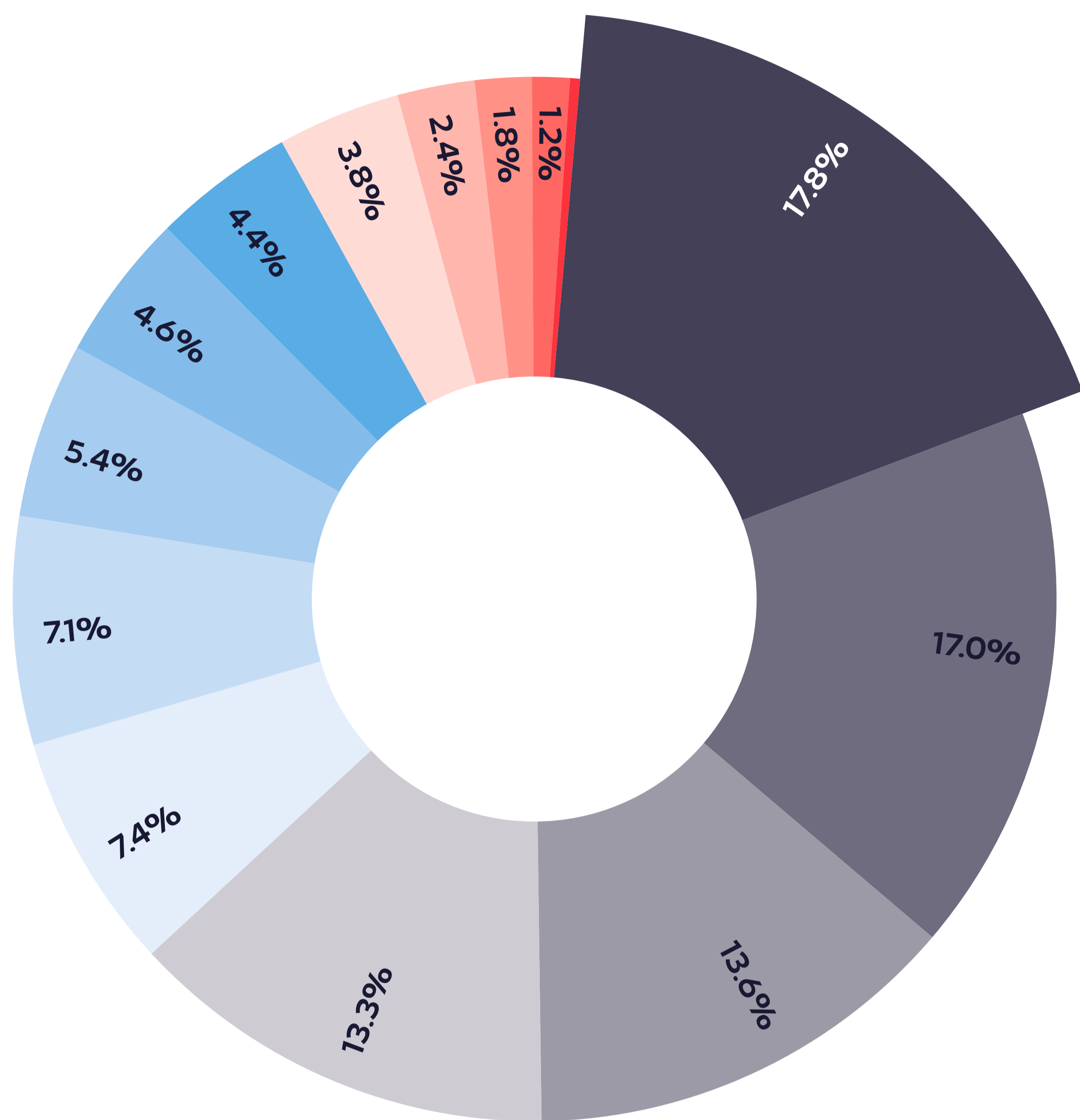
05. Regulatory technology (RegTech)

The use of advanced technologies such as AI, big data and cloud computing can help companies enhance regulatory compliance in the financial sector. By utilizing these technologies, financial institutions can more efficiently streamline Know-Your-Customer (KYC) rules, fulfill anti-money laundering compliance obligations, verify customers' identities, monitor transactions and identify potential cases of fraud.

Financial Services Sector Economic Indicators

iGA-National Accounts, 2023

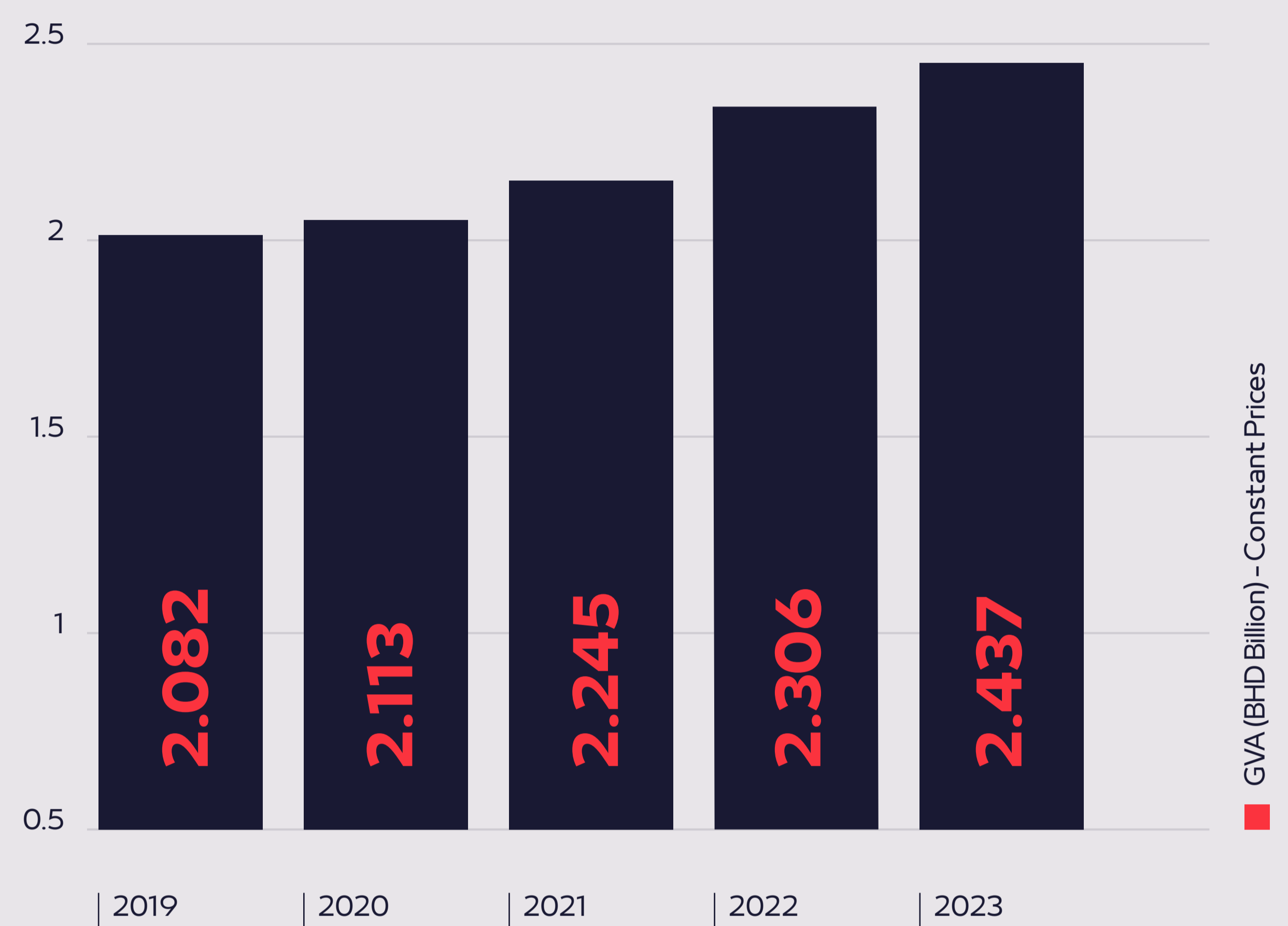
Financial Services Sector Contribution to Real GDP (% , 2023)



Financial & Insurance Activities	17.8%	Net Tax on Products	4.6%
Mining & Quarrying	17.0%	Trade	4.4%
Manufacturing	13.6%	Others ²	3.8%
Government Services	13.3%	Private Education Services	2.4%
Transport & Communication	7.4%	Hotels & Restaurants	1.8%
Construction	7.1%	Private Health Services	1.2%
Real Estate & Business Activities	5.4%	Agriculture & Fishing	0.3%

Financial Services Sector GVA¹

(BHD B, 2019 - 2023)



¹ Gross Value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy

² Others include Electricity & Water, Other Social & Personal Services, Private Non-Profit Institutions, and Households with Employed Persons

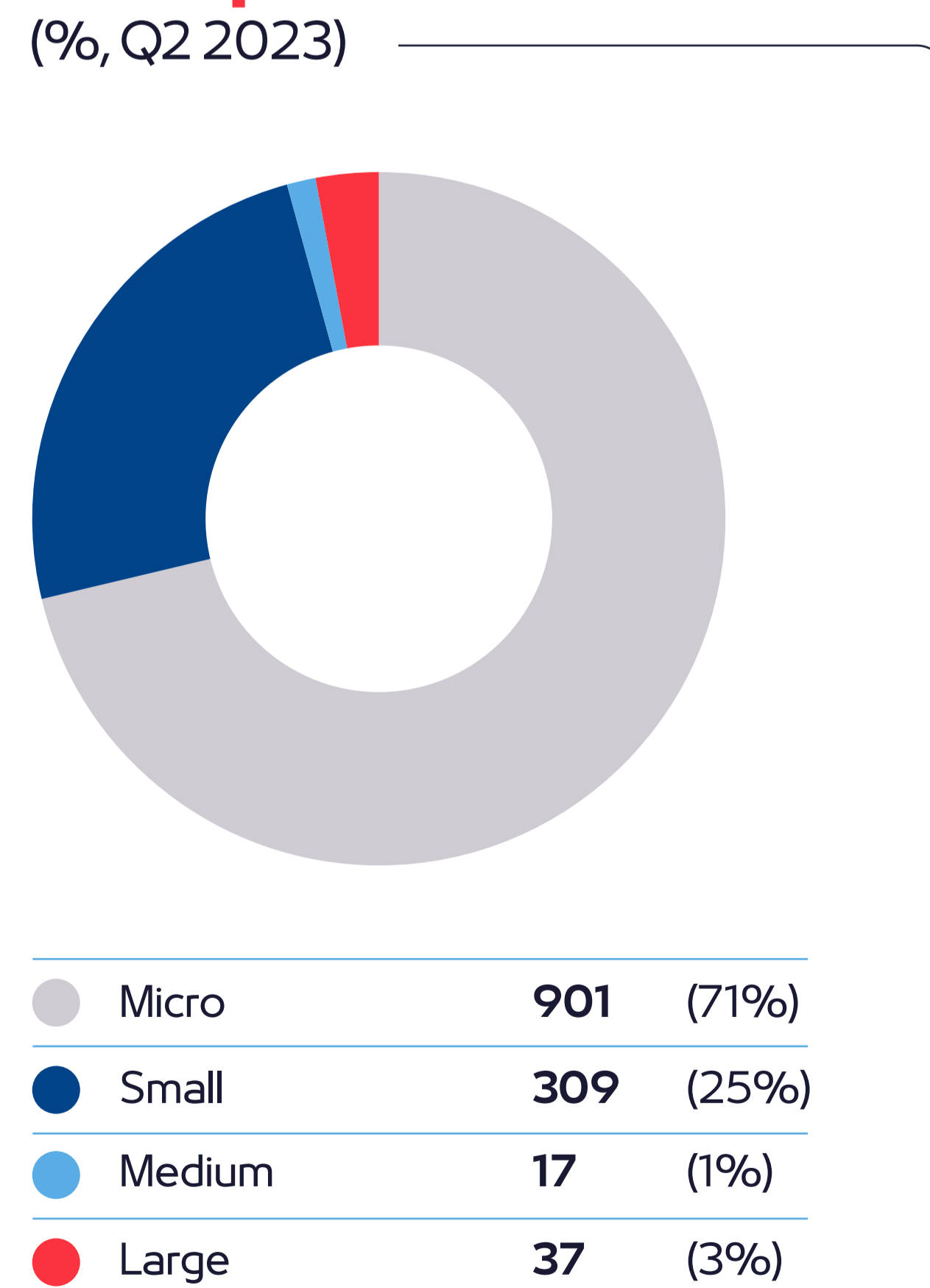
Financial Services Sector Enterprises

LMRA, Q2 2023 - BLM

1,264
Active CRs

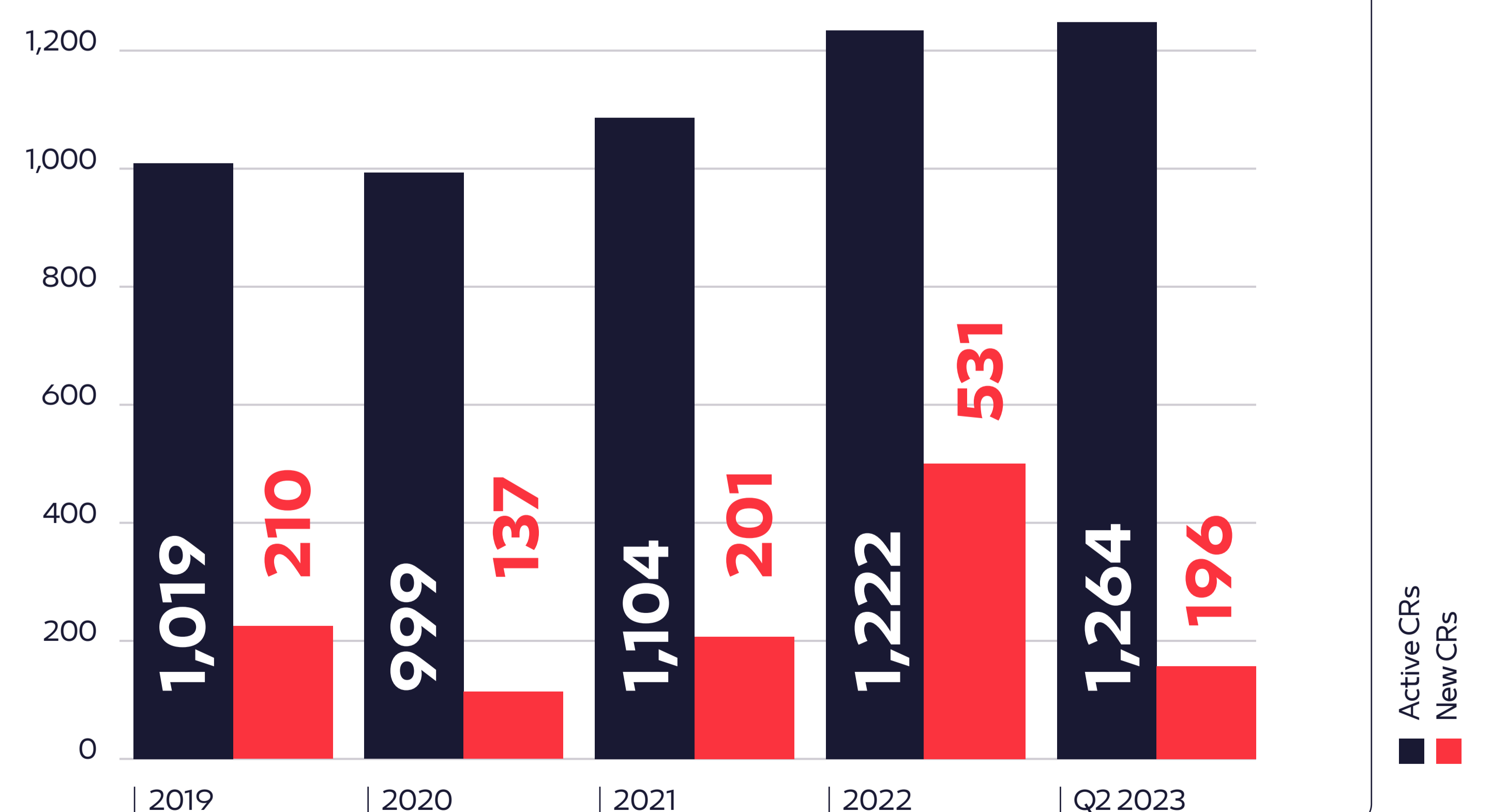
2.0%
of total Active CRs in Bahrain

Financial & Insurance Services Sector by Enterprise Size (% , Q2 2023)



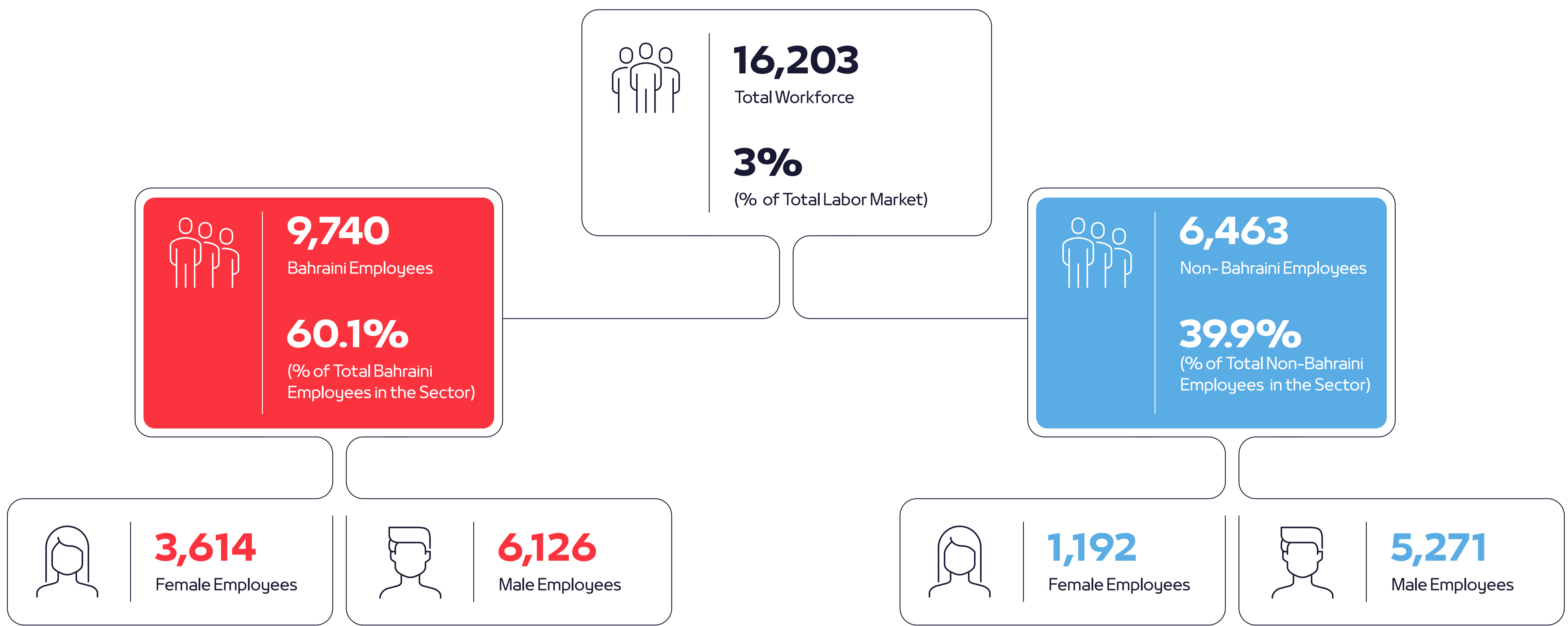
Financial & Insurance Services Sector Active Commercial Registrations

(2019 - Q2 2023)



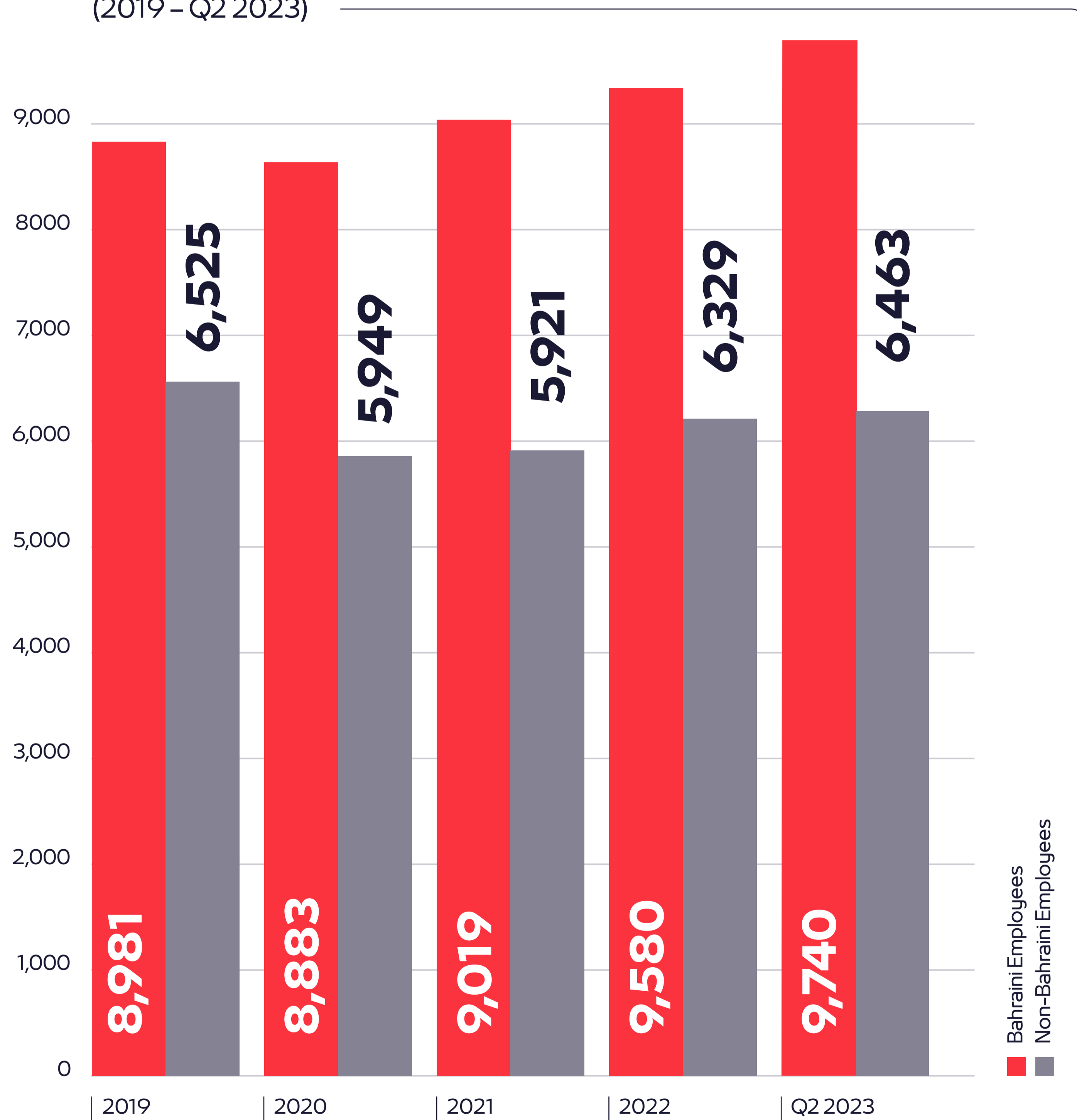
Financial Services Sector Employment

LMRA, Q2 2023 – BLMI



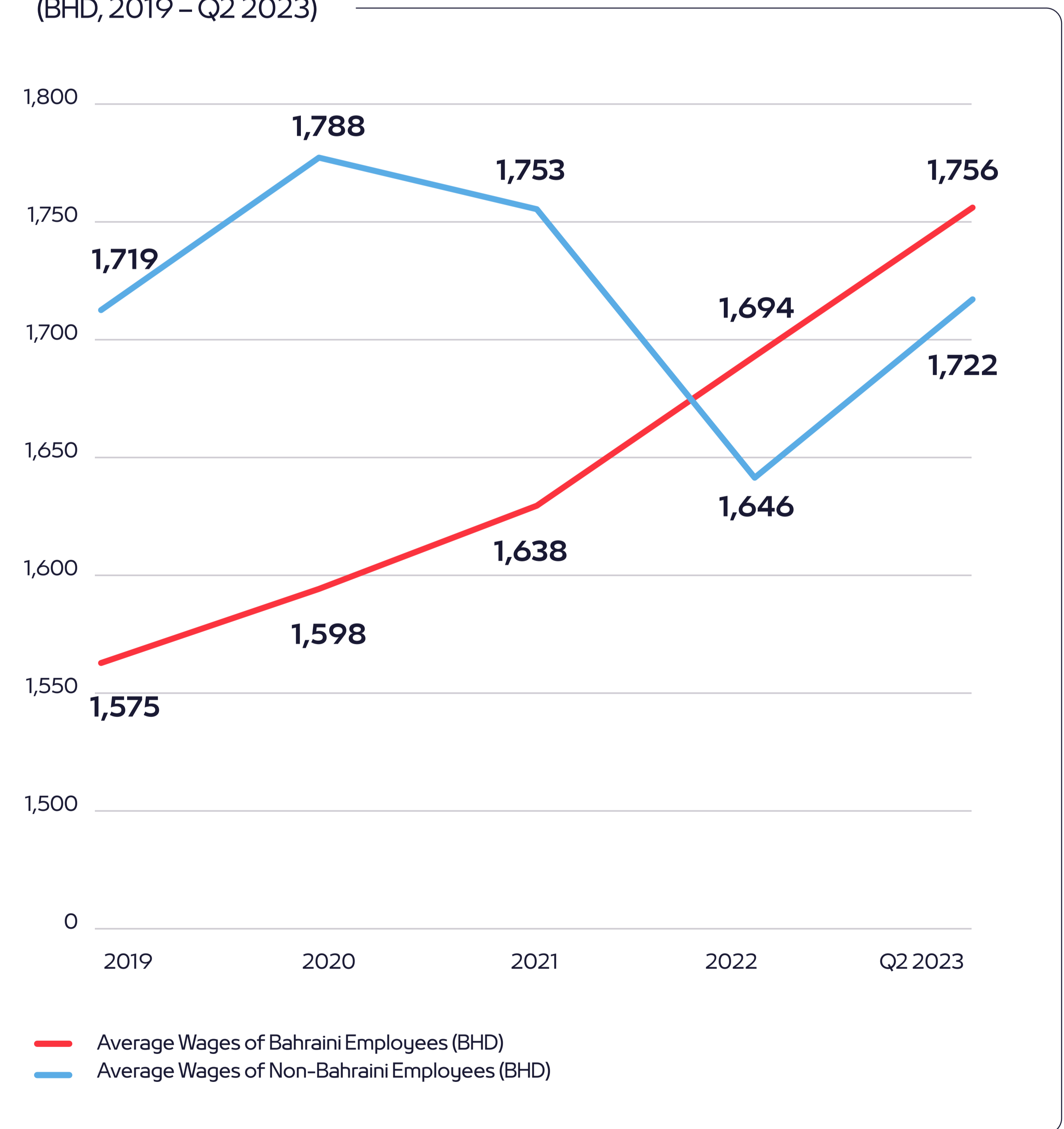
Financial Services Employees by Citizenship

(2019 – Q2 2023)



Financial Services Sector Average Wages by Citizenship

(BHD, 2019 – Q2 2023)



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