

Last Updated: April 2023

Bahrain's Financial Services sector is the largest non-oil sector in the economy contributing 17.5% towards real GDP in 2022. The sector covers many diverse types of transactions in areas like consumer finance, banking and insurance, as well as a broad spectrum of investment funding, including securities. The Kingdom's financial services sector has grown in recent years and will continue to play an important part in Bahrain's economy.



Sector Opportunities & Trends

01. Environmental, Social and Governance (ESG)

Financial service providers play a key role in achieving the Kingdom's net-zero targets by leveraging sustainable finance and including ESG initiatives as a mainstream component in sustainability strategies. With a growing public awareness towards climate change, businesses must enhance their lending portfolios to promote sustainability.

02. 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.

03. Data and Artificial Intelligence (AI)

AI financial advisors enable financial service organizations to better predict customer needs and offer personalized tools to optimize customer experience through human-like chatbots and troubleshooting. AI financial advisors have the potential to democratize investment management, reduce costs and increase efficiency.

04. 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.

05. Cybersecurity

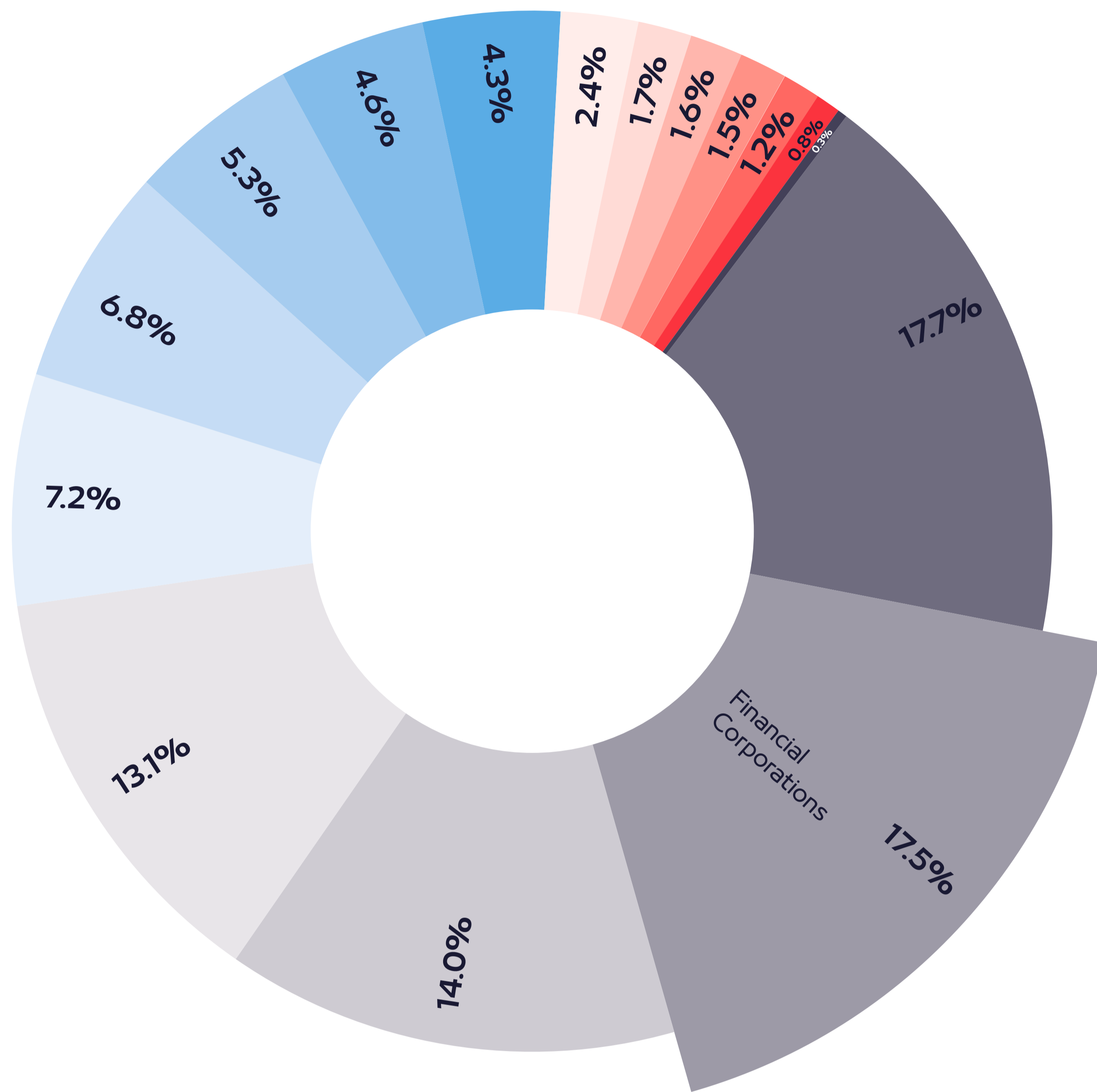
Cybersecurity is a critical concern for the financial services industry, as financial institutions are a frequent target for cyberattacks. Financial institutions need to invest in robust cybersecurity measures, including firewalls, encryption and multi-factor authentication, to protect against cyber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

Financial Services Sector Economic Indicators

iGA-National Accounts, Q4-2022

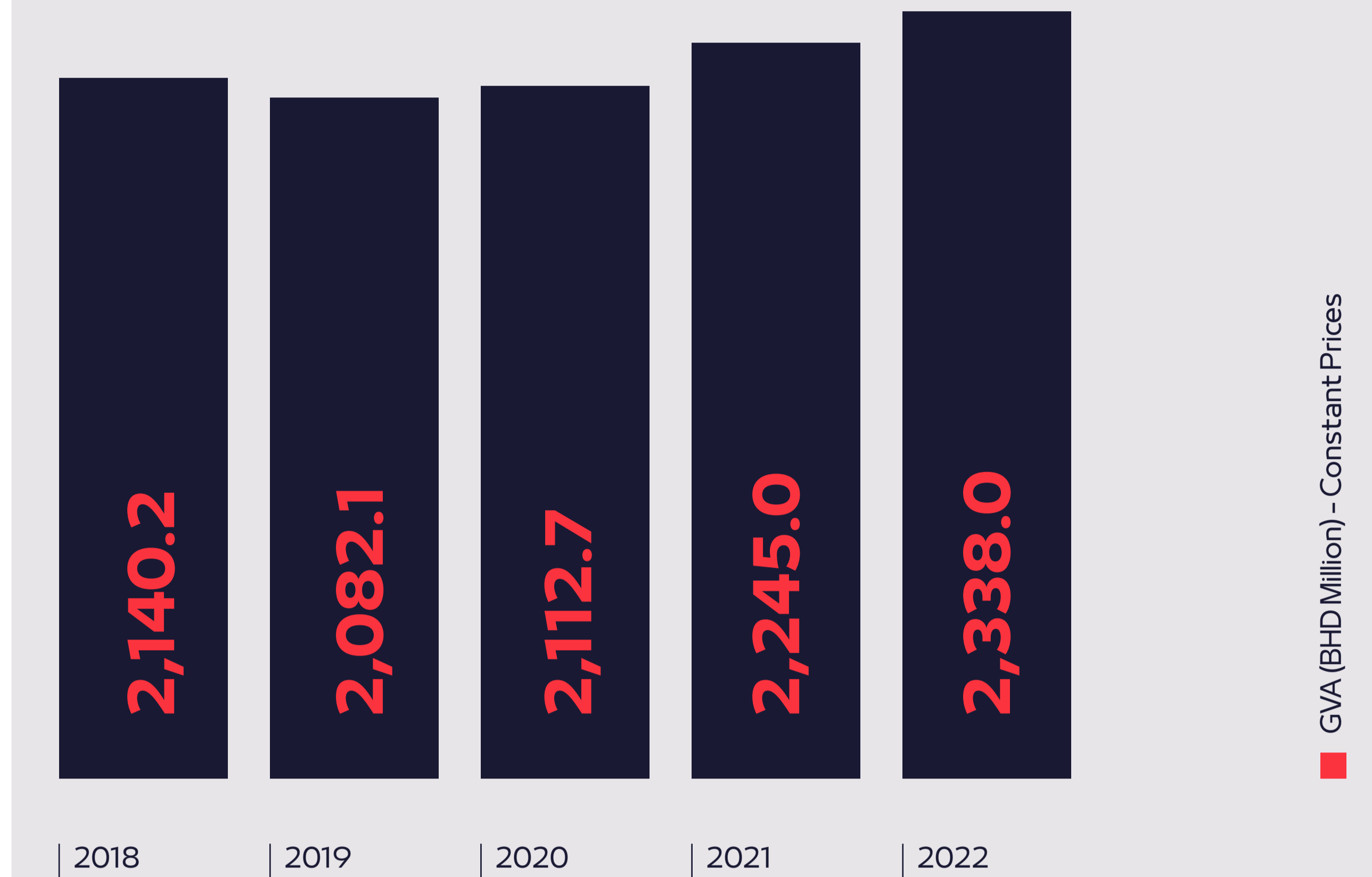
Financial Corporation Sector Contribution to Real GDP

(%, Q4 2022)



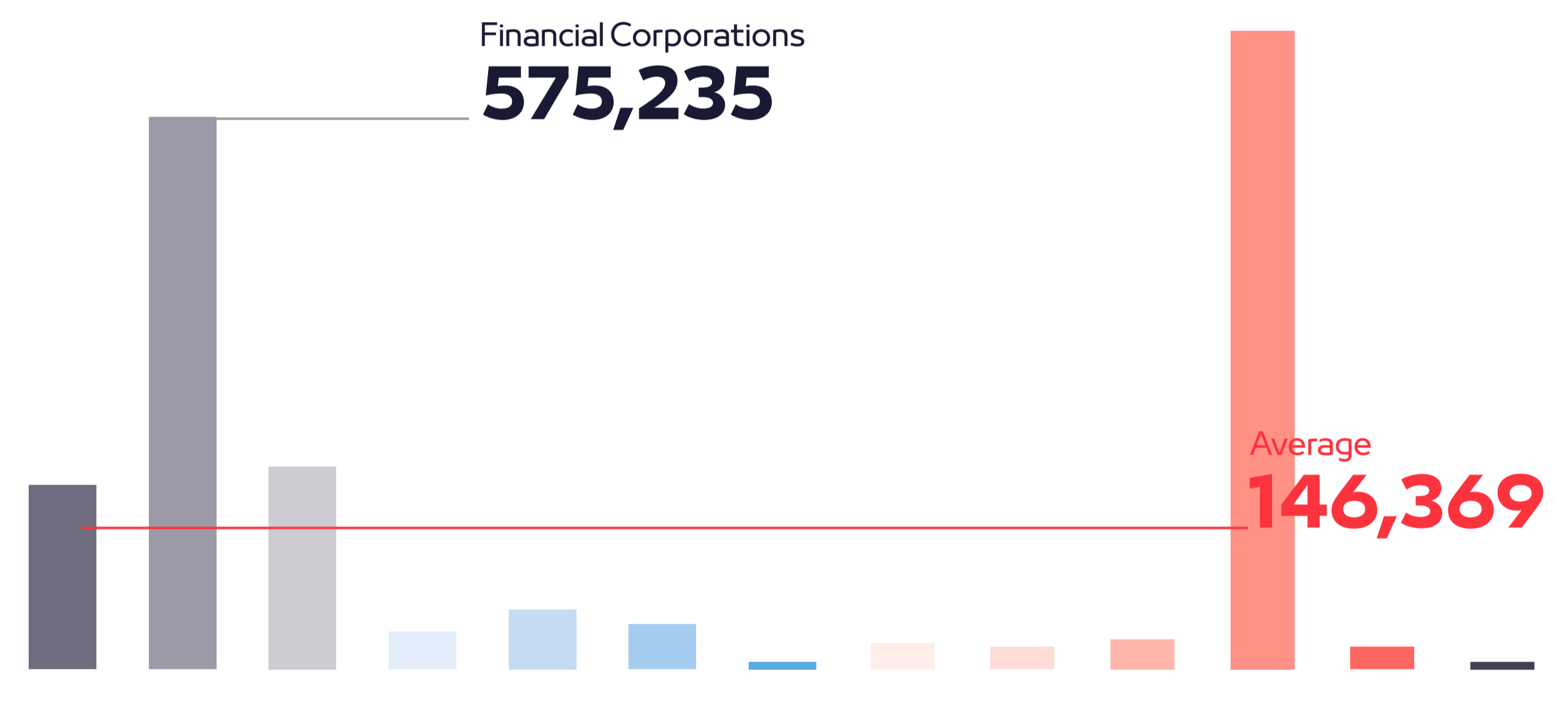
Financial Corporation Sector

GVA* (BHD, M)



GVA per company

(BHD, Q4 2022)



Mining & Quarrying	17.7%	Trade	4.3%
Financial Corporations**	17.5%	Private Education Services	2.4%
Manufacturing	14.0%	Hotels & Restaurants	1.7%
Government Services	13.1%	Other Social & Personal Services	1.6%
Construction	7.2%	Electricity & Water	1.5%
Transport and Communication	6.8%	Private Health Services	1.2%
Real Estate & Business Activities	5.3%	Others***	0.8%
Net tax on Products	4.6%	Agriculture & Fishing	0.3%

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

**Data extracted from National Accounts are categorized according to ISIC 3 – hence Financial Corporations include Financial Institutions, Insurance, and Offshore Financial Institutions

***Others includes (Private Non-Profit Institutions, Households with Employed Persons)

Financial Services Sector Enterprises

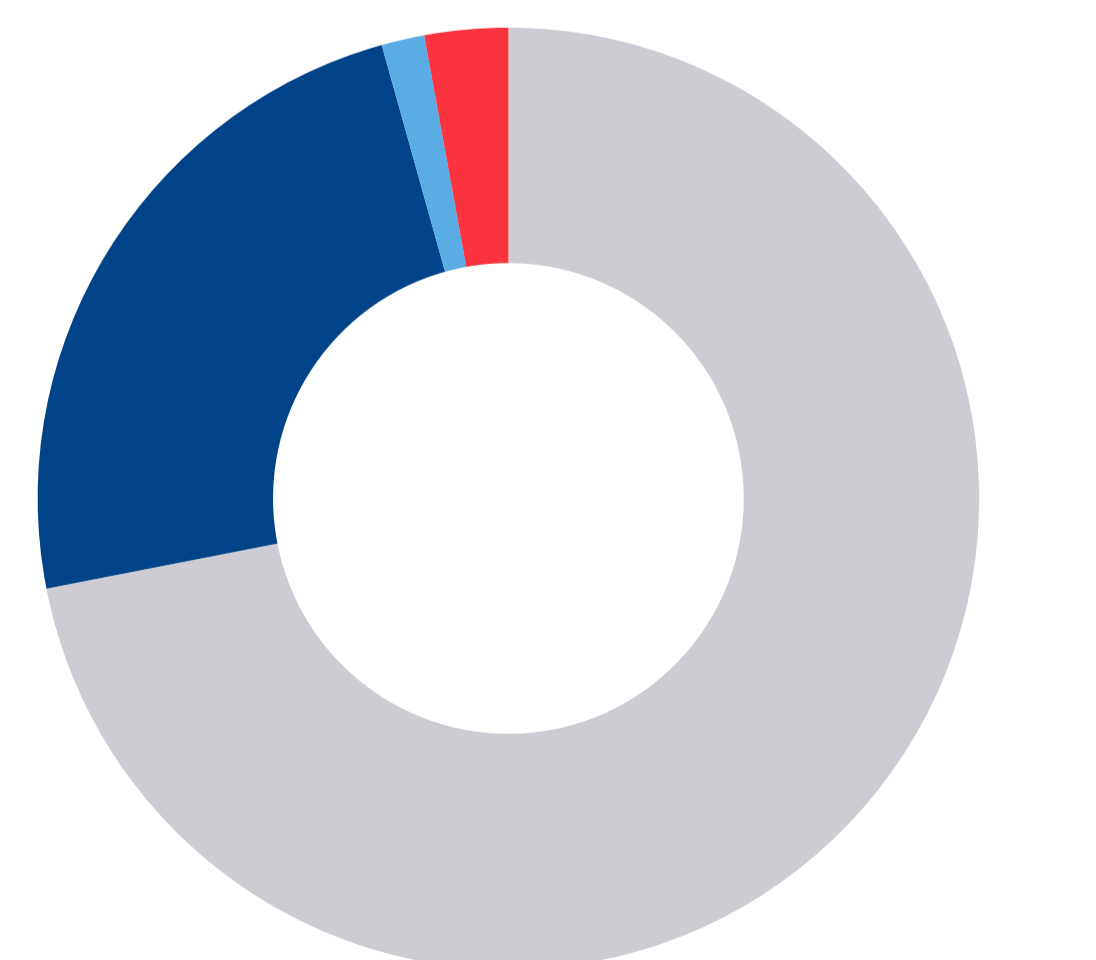
LMRA, 2022 - BLMI

1,222
Active CRs

2%
of total Active CRs in Bahrain

Financial & Insurance Services Sector

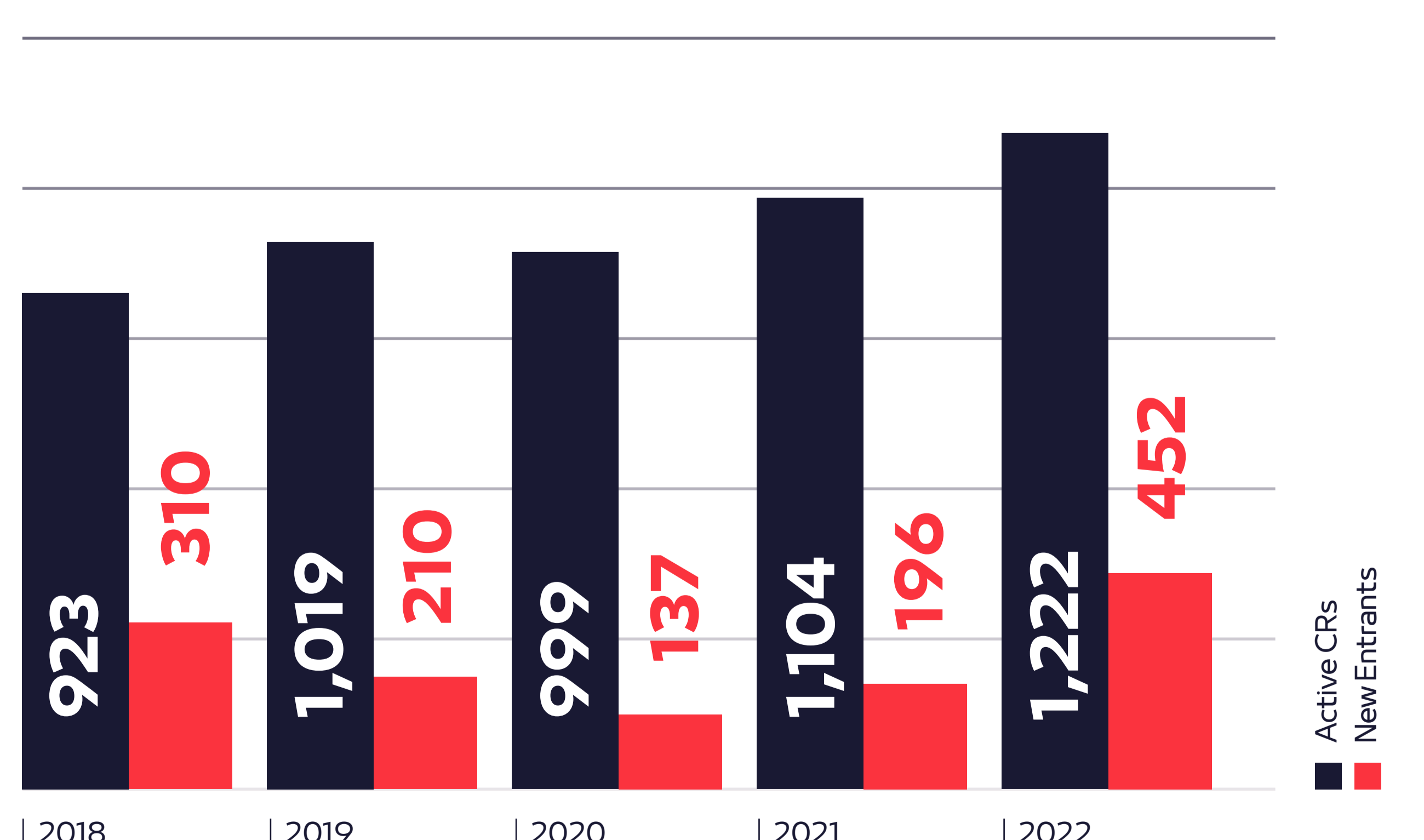
by Enterprise Size (%), Q4 2022



Micro	879	(72%)
Small	290	(24%)
Medium	18	(1%)
Large	35	(3%)

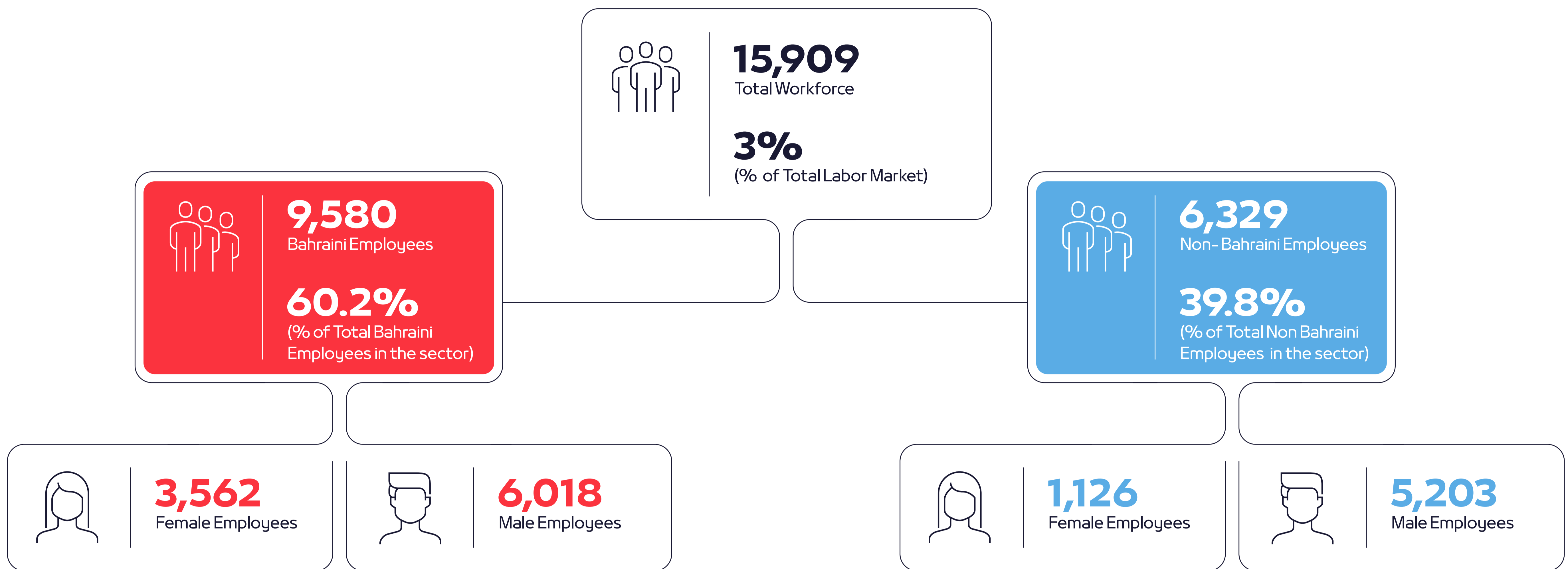
Financial & Insurance Services Sector

Active Commercial Registrations (2018 – 2022)

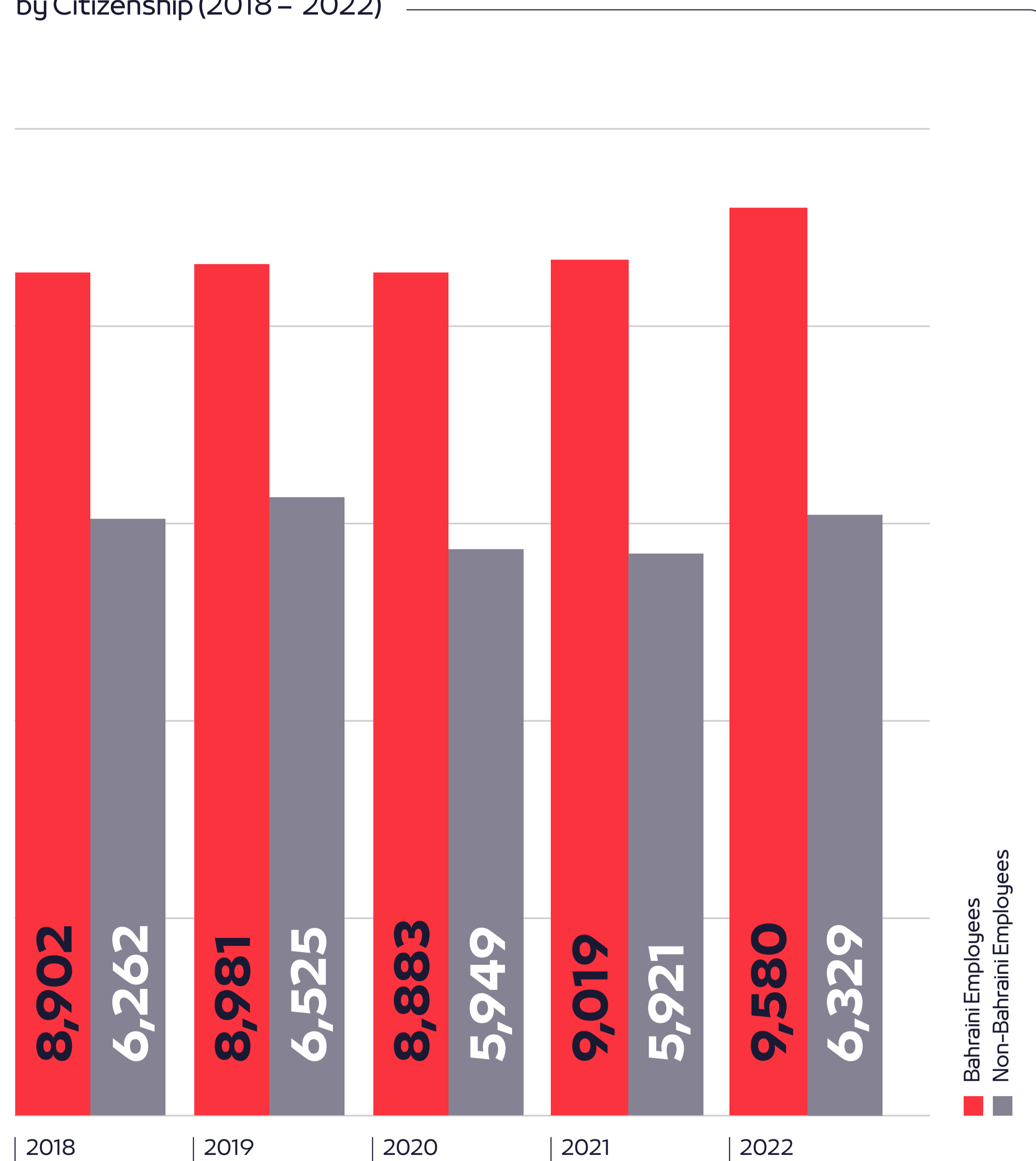


Financial Services Sector Employment

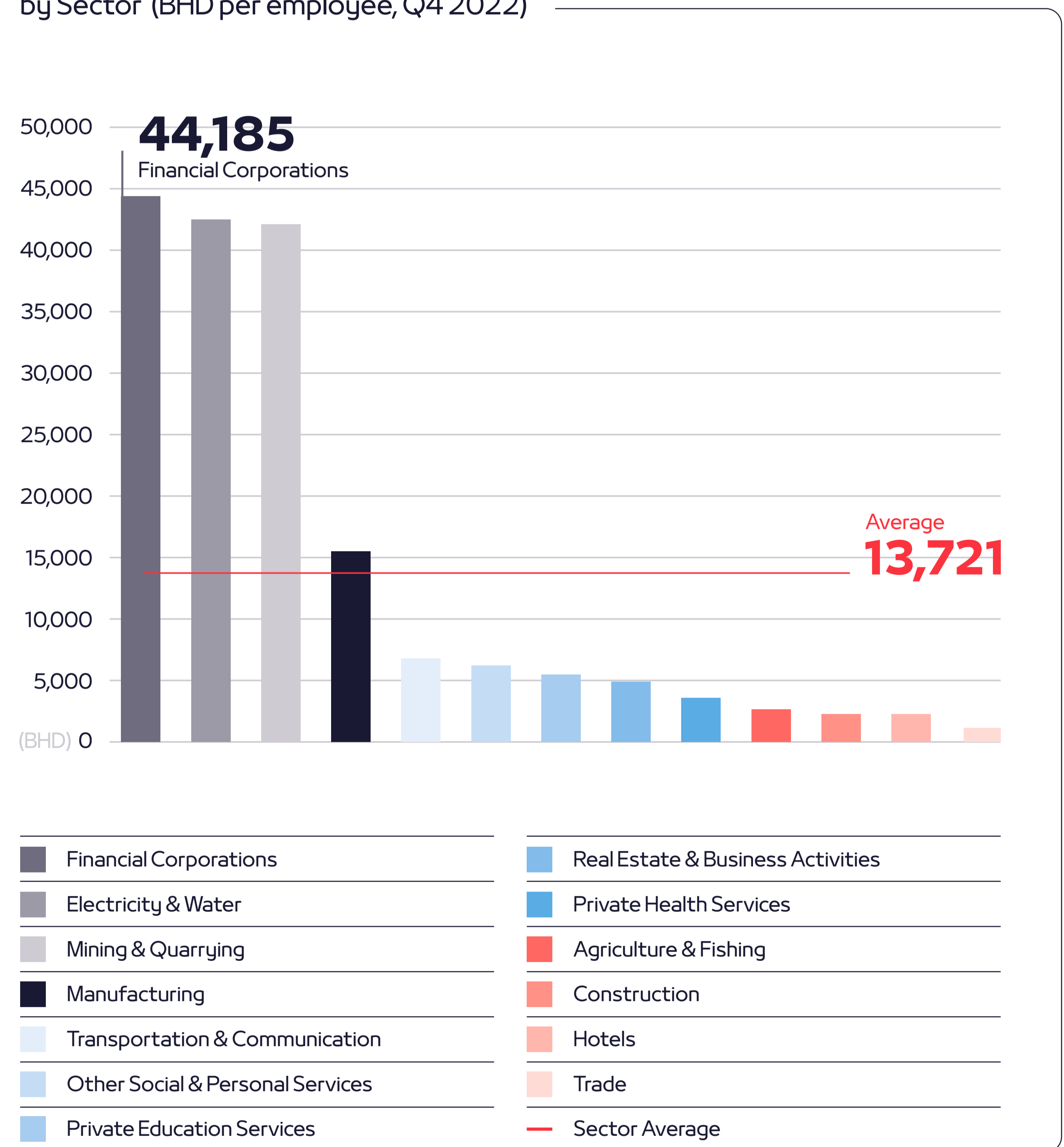
LMRA, Q4 2022- BLMI / iGA-National Accounts



Financial Services Employees by Citizenship (2018 - 2022)



Financial Corporation Sector Labor Productivity by Sector (BHD per employee, Q4 2022)



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