

Bahrain Industry Report

Banking & Finance Sector

December 2025



Foreword

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We are pleased to present our latest Banking Sector report, designed to provide valuable insights for our clients. Our team regularly publishes sector-focused reports, sharing our perspectives on the Banking landscape, with a particular emphasis on Bahrain.

Bahrain's banking and finance industry plays a critical role in the country's economic development. The sector includes both conventional and Islamic institutions, supported by the Central Bank of Bahrain's strong regulatory framework and commitment to innovation. It has helped position Bahrain as a competitive financial hub in the region.

The industry is experiencing a period of transformation, driven by strategic mergers, acquisitions, and the adoption of advanced digital solutions. Financial institutions are increasingly leveraging technology and regulatory initiatives to enhance efficiency, improve customer experience, and explore new opportunities, including the potential development of a Central Bank Digital Currency (CBDC).

With well-capitalized institutions, progressive regulatory frameworks, and a growing focus on technology and innovation, Bahrain's banking and finance sector is well-prepared to adapt to evolving market conditions and attract regional and international investment.

We look forward to staying engaged with industry leaders and clients in the region and keeping you informed with relevant insights and sector developments.

Section

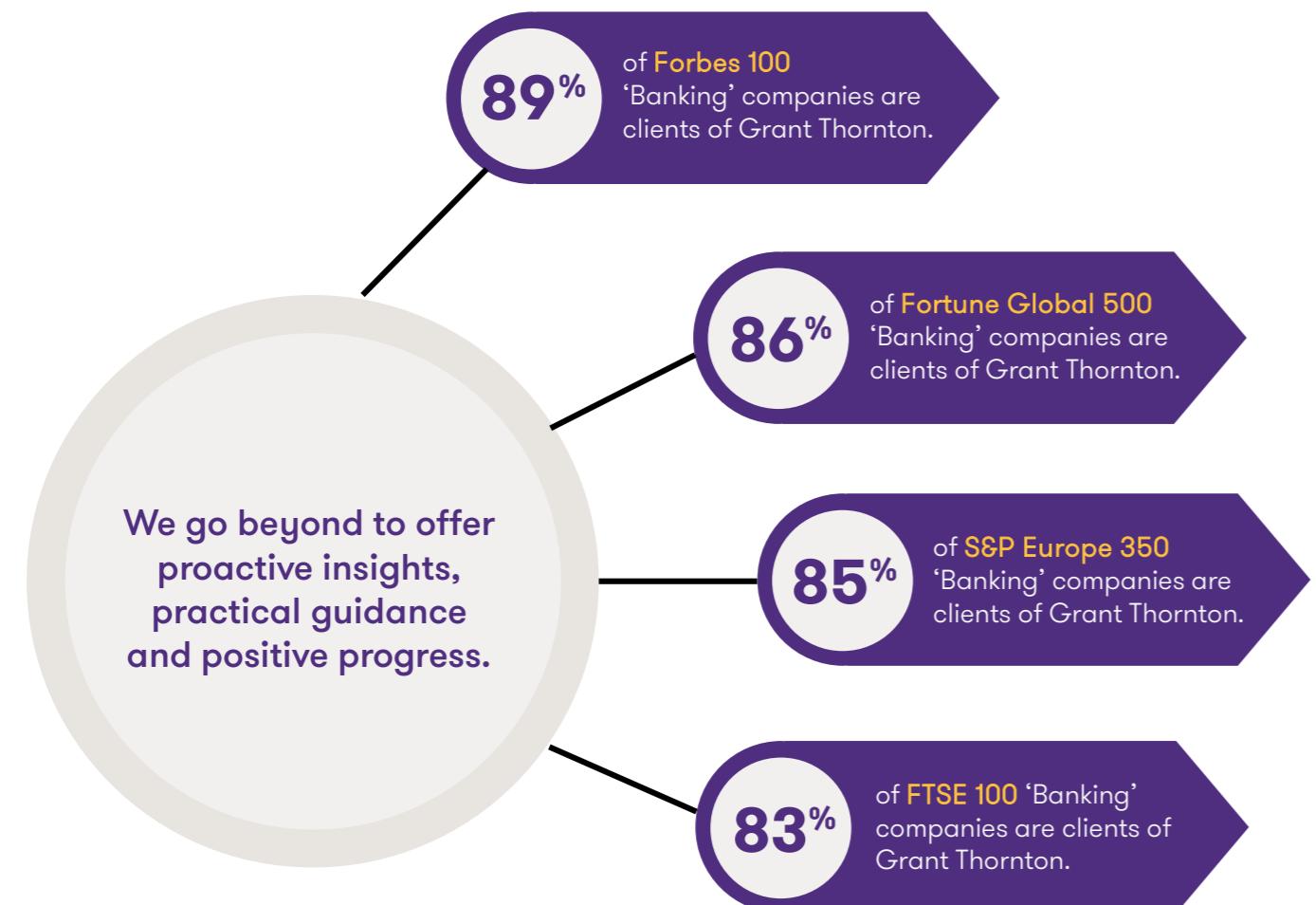
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20
YEARS IN BAHRAIN
AND BEYOND

Grant Thornton Bahrain

Our Global Clients in Banking Industry

Key market trends: Local & Global Challenges



Advancements in technology and unprecedented economic and regulatory conditions are contributing to an ever-evolving landscape in the banking industry.

Until the recent cut to interest rates, bank profits were boosted by the relatively higher interest rates and consequent improvement in net-interest margin. Between geopolitical tensions, inflationary pressures, regulatory scrutiny, entry of fintech competitors and investor expectations of above market returns, banks face considerable challenges over the next fiscal cycle.

This is why clients come to our firm for the best-in-class expertise of our specialized local and international teams in these areas, and to overcome these challenges together.

Our contributions

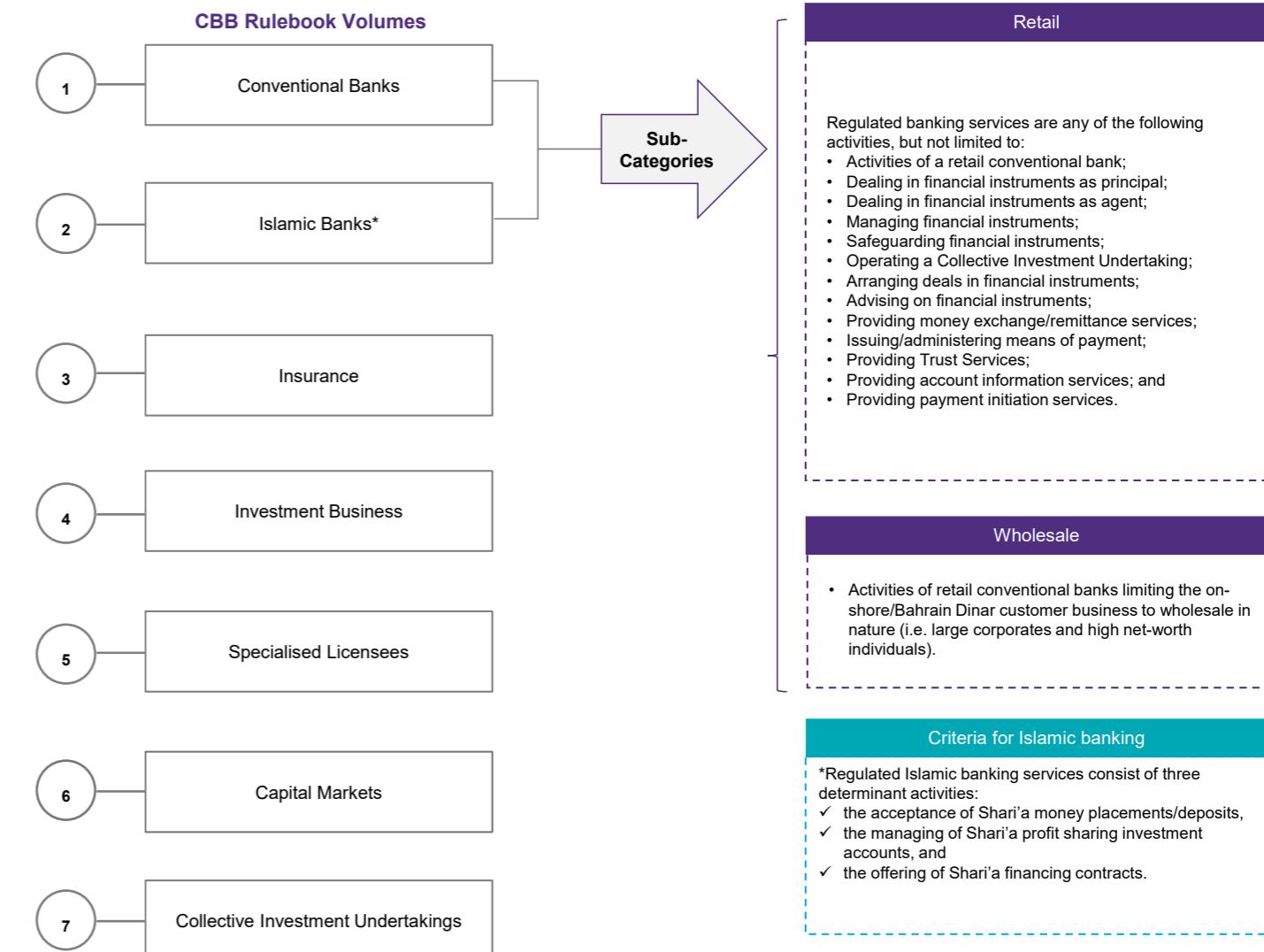
- Driving innovation in the sector
- Helping businesses grow with 360° thinking
- Skills with real-world experience
- We are where you are

Whilst banks have been focused on digital transformation for the past few years, the need to maintain operational resilience, ensure accurate regulatory reporting, track and comply with regulatory changes cannot take a backseat. Solvency, financial crime, personal data protection and consumer duty remain high on the regulatory agenda. All of this applies further pressure on management to both stay abreast of new regulations and comprehend the underlying technical details, assess the possible impacts on the bank's operations, and establish the requisite processes to reduce compliance risk.

We combine global scale with local insight, quality and understanding to give you the assurance, tax and advisory services you need to realize your ambitions.



Available Licensing Options for Banks



Source: Central Bank of Bahrain

Market Overview: Banking Industry

Bahrain's financial sector is primarily anchored by its banking system, which accounts for over 85% of the nation's financial assets, encompassing both conventional and Islamic banks.

**BD
94.9 billion**

As of June 2025, the total assets held by the banking industry were at BD 94.9 billion. Of this, the Islamic banking industry assets account for 25.6% amounting to BD 24.3 billion.

Despite global challenges like inflationary pressures and monetary tightening, the Bahraini banking sector remains resilient and stable. The sector demonstrates strong financial resilience, evidenced by high Capital Adequacy Ratios (CAR), sufficient liquid assets, and a low NPL ratio, all of which are prudently reinforced by adequate specific provisions.

As of June 2025, the retail banks provided 48.9% of the loans to households (personal), 43.0% to businesses and 8.1% to the government sector.

The sustained growth of the banking sector is a result of several key factors:



Regulatory framework that adheres to international standards



Significant investment in digital banking services



Bahrain's open market economy



Regional hub for Islamic finance and wealth management



Stable macroeconomic environment

Key Performance Indicators

Capital & Loan Quality

Bahraini banks' show capital buffers (CAR at 20.3%) and improving asset quality, with NPLs concentrated in construction and trade.

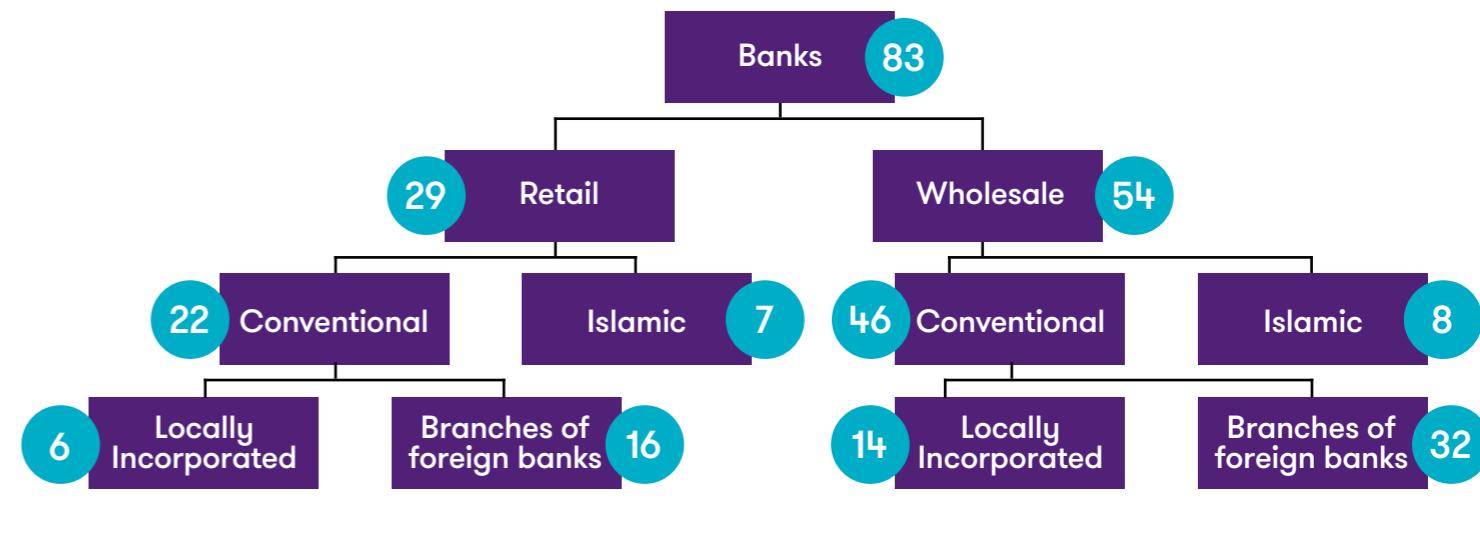
Liquidity & Profitability

Liquidity remains solid with a low LDR (62.3%), while profitability is stable but faces pressure from expected interest rate cuts.

Core Banking Activity

Asset and credit growth are slowing due to global monetary easing and fiscal constraints, with deposit growth weakening amid lower oil prices and rate cuts.

Competitive Landscape



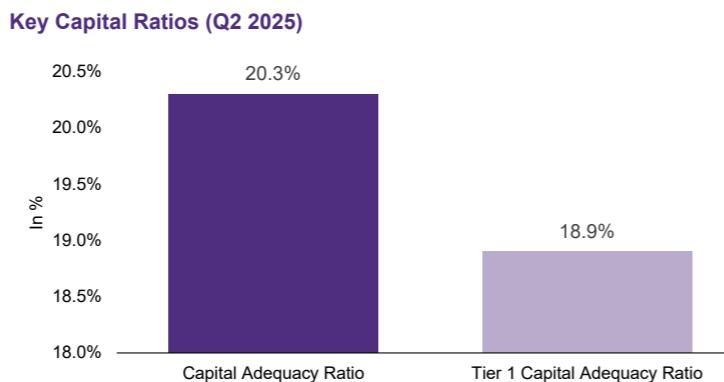
Source: Central Bank of Bahrain, Business Monitor Intelligence, Ministry of Finance and National Economy

Financial Soundness Indicators

Macro-prudential Analysis: Kingdom of Bahrain

Capital Adequacy

The Capital Adequacy Ratio (CAR) for Bahrain's 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) in June 2025 reduced to 18.9% from 19.0% in June 2024. The leverage ratio (ratio of assets over capital) slightly increased to 9.8 times during the same period.



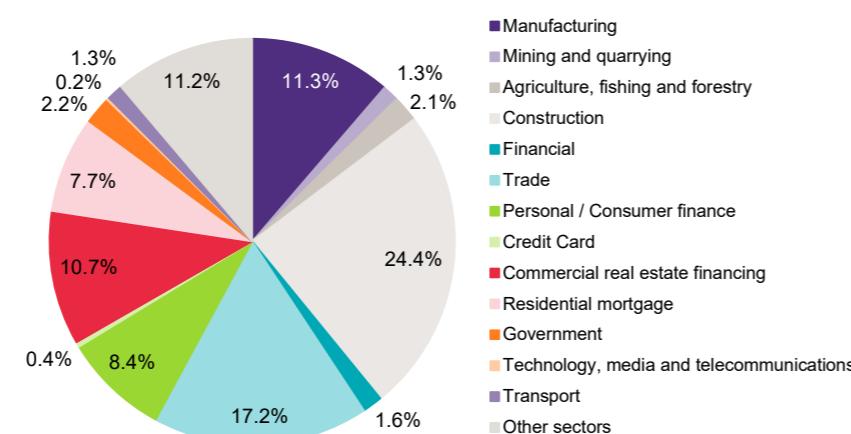
Loan Quality

The banking sector demonstrated improved asset quality during 2025, with the Non-Performing Loan (NPL) ratio falling from 3.0% in June 2024 to 2.6% in June 2025.

Sustained investment and growth in the non-oil sectors are expected to bolster debtors' repayment abilities, leading to greater NPL ratio stability in the mid-to-long term.

The NPLs are primarily concentrated in construction and trade sectors.

Non-Performing Loans* (Sector-wise, Q2 2025)



Note: *NPLs per sector as a percentage of gross loans in each sector

Profit

The Banking sector maintained a robust and stable financial performance between June 2024 and June 2025 (ROA at 0.6%, ROE at 5.8%).

In some jurisdictions, margins have tightened due to increased competition for deposits and rising funding costs.

Key Profitability Indicators (Q2 2025)



Liquidity

The Bahrain banking sector's loan to deposit ratio increased from 58.8% in June 2024 to 62.3% in June 2025.

Liquid assets as a proportion of total assets increased from 25.6% in June 2024 to 26.1% in June 2025.

Loan to deposit ratio (in %) (Q2 2025)



A = Actual F = Forecasted

Source: Business Monitor Intelligence, Central Bank of Bahrain

Core Banking Activity



Assets

Overall asset growth is forecast to slow down to 3.1% in 2025, before recovering to 4.0% in 2026. This moderation is primarily attributed to a slowdown in client loan growth.

The main driver of this constraint will be slower growth in foreign currency assets (which constitute over 50% of total assets) as global monetary easing reduces yields in developed markets.

Liabilities



Client deposits and foreign liabilities are expected to remain the dominant components of banking sector liabilities, continuing their established trend.

The proportions of the different liability components are projected to stay stable through 2034, with all components simultaneously increasing in total value.

Loans



Credit growth is forecast to slow from 4.6% in 2024 to 3.6% in 2025, with the public sector becoming a less significant driver due to fiscal pressures.

This slowdown is expected as lower oil prices and global volatility prompt the government to restrain spending and cause non-financial corporations (NFCs) to reduce loan uptake, especially given weaker growth prospects in key partner Saudi Arabia.

Deposits



During 2024, deposit growth has weakened due to a significant drop in contributions from Non-Financial Corporations (NFCs) and non-residents, though partially balanced by a slight increase in public sector deposits.

Growth is forecast to slow sharply to -4.1% by late 2025, driven by an anticipated 50 basis point rate cut that disincentivizes saving, and lower Brent oil prices reducing public sector deposits.

SWOT Analysis: Banking Industry



Strengths

Bahrain is a key center for Islamic finance, and its financial services sector is highly innovative, investing in digitization for greater efficiency.

Regulators actively support FinTech and digital payments by promoting new technologies and inclusion.

The banking sector is a crucial pillar in Bahrain's economic diversification strategy. It's underpinned by sound financial regulations that strengthen institutions and help them withstand stress.



Weaknesses

Intense regional competition from hubs like Dubai and Qatar makes attracting and retaining top business talent difficult.

A lack of regulatory diversity, with the Central Bank of Bahrain as the sole regulator, may hamper timely responses to emerging issues.



Opportunities

The regulatory inclusion of cryptocurrencies is opening up new avenues for both payment and investment.

Bahrain remains a preferred destination for investors in the Gulf due to its stable and transparent business environment.

There is active government support for developing a Central Bank Digital Currency (CBDC), signaling forward-thinking policy.

The financial services sector benefits from policies that permit a degree of foreign ownership, encouraging international participation.



Threats

Global economic uncertainty, particularly from trade tensions, may weigh on foreign investment, thereby limiting credit demand in the country.

Any subsequent downgrade to Bahrain's sovereign debt rating could negatively influence the government's borrowing costs, presenting a potential source of instability for the broader domestic financial system.

Recent Developments and Initiatives

Mergers Acquisitions (M&A)

Major Consolidation: The sector is undergoing significant M&A activity, with a merger between National Bank of Bahrain (NBB) and Bank of Bahrain and Kuwait expected to complete in 2025.

Acquisitions Completed: Key acquisitions include Al Salam Bank acquiring Kuwait Finance House Bahrain (May 2024), Burgan Bank acquiring United Gulf Bank (June 2024), and the completion of the major merger between Ahli United Bank and Kuwait Finance House (February 2024).

HSBC Retail Sale: HSBC has sold its Bahrain retail business to a bank consortium (February 2025).

National Bank of Bahrain (NBB) Activities

Investment: NBB increased its stake in investment bank SICO from 12.51% to 21.07% (August 2024).

SME Finance: NBB partnered with Tamkeen (the public-sector labour fund) to deliver subsidized, Shari'a-compliant financing to small and medium-sized enterprises (SMEs) (September 2024).

New Entrants

The Central Bank of Bahrain licensed Singapore Gulf Bank, a digital bank backed by the Singapore-based Whampoa Group. The Bahraini sovereign wealth fund, Mumtalakat, is set to invest in Singapore Gulf Bank (early 2024).

Top Banks: Key Indicators

	Total assets (BD mn)	LDR (%)	CAR (%)	NPL (%)	ROE (%)
 GIB	18,489	48.4	14.8	1.3	6.4
 VIB	18,036	88.3	15.9	3.2	8.5
 KFH	10,539	89.8	27.3	2.6	12.9
 بنك السلام Al Salam Bank	7,820	76.6	25.2	4.6	17.3
 NBB	5,968	76.6	20.7	3.5	17.6
 BBK	4,597	82.9	22.7	4.1	12.3
 gfh	4,649	93.4	16.69	7	12.7
 BisB	1,614	92.4	NA	8.2	16
 KHALEEJI	1,631	91.6	22.39	NA	8.9
 ESKAN BANK	1,149	NA	NA	3.7	6.9

Note: **All data is as on 30 June 2025 except Kuwait Finance House, Bank of Bahrain and Kuwait and Bahrain Islamic Bank which is as on 30 September 2025

NA = Not Available

Glossary

General terms	
%	Percentage
~	Approximately
ABC	Arab Banking Corporation
BBK	Bank of Bahrain and Kuwait
BD	Bahraini Dinars
BISB	Bahrain Islamic Bank
CAR	Capital Adequacy Ratio
CBB	Central Bank of Bahrain
CBDC	Central Bank Digital Currency
FinTech	Financial Technology
GFH	Gulf Financial House
GIB	Gulf International Bank
KFH	Kuwait Financial House
LDR	Loan-to-Deposit Ratio
M&A	Mergers and Acquisitions
Mn	Million
NA	Not Available
NBB	National Bank of Bahrain
NFC	Non-Financial Corporations
NIM	Net Interest Margin
NPL	Non-Performing Loan
Qx	Quarter 'x'
ROA	Return on Assets
ROE	Return on Equity
SME	Small and Medium sized Enterprise
SWOT	Strength, Weakness, Opportunity, Threat
W.L.L.	With Limited Liability

About Us

Our Global Network

A global network of professionals providing audit, tax and advisory services in 150 markets. Whether your business has domestic or international aspirations, Grant Thornton can help you to unlock your potential for growth wherever and whenever needed.

Global Quick Facts



\$8.5 billion
in global revenue



80,000+
professionals



150
markets worldwide

Our Global Clients Include

91% of **Forbes 100**

71% of **FORTUNE** Global 500

75% of **S&P Europe 350**

78% of **FTSE 100**

Who We Are - Grant Thornton Bahrain



160+
Employees



7

Directors and
Senior Managers



11

Partners



8

Nationalities



50%

Expert Bahraini
Workforce



40%

Professional positions held
by women

2,000+ Clients Across the Following Industries



Aviation



Education



Energy



Finance



FMCG



Healthcare



Hospitality & Tourism



Manufacturing



Real Estate

Our Services

For Further Details,
Please Contact:

Audit and Assurance

- Financial statement audits
- Financial statement compilations
- Financial statement reviews
- Agreed-upon-procedures
- Statutory certification for government levy and import duty exemptions
- Implementation and reporting on controls
- Readiness assessment for SoX
- IFRS Advisory

Risk Advisory

- Internal audit
- Governance
- Business process improvement
- Forensic investigations
- Data analytics
- Quality assurance review
- Regulatory compliance
- Policies and procedures

Transaction Advisory

- M&A Advisory
- Capital markets
- Valuations
- Debt advisory
- Due diligence
- Business planning
- Feasibility studies

Technology Advisory

- Technology advisory and strategy
- Technology adoption
- Technology effectiveness review
- Information protection and Cyber security
- Asset management
- Policies and procedures
- ISO 27001, ISO 22301 and PCI
- DSS Certification Program
- Knowledge development
- IT Governance and management
- Project management

Business Process Solutions

- Business process outsourcing (BPO)
- Global compliance and reporting solutions (GCRS)
- Shared services
- Bookkeeping and Financial Accounting
- Payroll and personnel administration
- Human Resources Solutions

Tax Advisory

- Impact assessment
- VAT compliance
- Preparation and submission of returns
- VAT Technology advisory
- Country by Country Reporting
- Base Erosion Profit Shifting
- Economic Substance Requirement
- Transfer Pricing
- Proposed Taxes

Corporate Compliance and Regulatory Services

- Company formation with MOICT and obtaining CBB Licenses
- Legal document preparation and services thereafter
- Secretarial services for board meetings
- Trademark and Intellectual property registration
- Liquidation of MOICT and CBB licensees
- Regulatory advisory for CBB licensing, IPO and rights issue



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